

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, 2016 to June 30, 2018



FILED
03/26/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer/Treasurer	(Vacant) Eric Kurtz	07-01-16 to 07-14-16 07-15-16 to 06-30-19
Superintendent of Schools	Thomas Cripliver	07-15-16 to 06-30-19
President of the School Board	James Vanderlin Larry Biggs Karen Curtis Greg Tenorio	07-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



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, 2016 to June 30, 2018, 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, 2016 to June 30, 2018.

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, 2016 to June 30, 2018, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 February 14, 2019, 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

February 14, 2019



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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, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated February 14, 2019, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002.

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

February 14, 2019

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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, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 1,618,797	\$ 10,372,216	\$ 10,194,601	\$ -	\$ 1,796,412	\$ 9,345,393	\$ 9,067,955	\$ -	\$ 2,073,850
Referendum Tax Levy	-	-	-	-	-	576,996	-	-	576,996
Debt Service	286,994	1,129,010	975,277	(70,394)	370,333	1,159,579	1,038,411	-	491,501
Exempt Debt	309,384	766,361	746,572	-	329,173	820,362	751,361	-	398,174
Capital Projects	109,500	205,260	264,564	-	50,196	272,086	203,857	-	118,425
School Transportation	389,840	246,745	284,849	15,000	366,736	251,955	349,636	-	269,055
School Bus Replacement	74,219	70,111	98,590	4,000	49,740	72,412	52,379	-	69,773
School Lunch	456,925	746,951	640,703	-	563,173	640,435	742,961	-	460,647
Textbook Rental	164,542	132,634	74,527	45,413	268,062	101,456	72,416	-	297,102
Educational License Plates	183	169	183	-	169	188	-	-	357
Early Intervention Grant	19,752	20,407	32,234	-	7,925	-	7,075	-	850
Extra-Curricular Activities	14,929	3,186	14,929	-	3,186	4,997	-	-	8,183
Miscellaneous Programs	2,523	-	1,710	-	813	-	-	-	813
Lilly Counseling Initiative Grant	-	30,000	12,282	-	17,718	-	17,718	-	-
LCSAC 2016 Grant	-	(176)	-	-	(176)	-	-	-	(176)
Formative Assessment	-	-	-	-	-	15,904	-	-	15,904
Instruction Support	14,652	30,016	23,758	-	20,910	30,254	40,968	-	10,196
Computer Consortium/Ed Tech Advance	1,570	85,037	127,379	-	(40,772)	-	-	-	(42,342)
CSF Tech Loan	49,531	59,674	215,506	-	(106,301)	157,848	166,360	-	(114,813)
STAA CSF Tech Loan	-	208,710	56,944	-	151,766	-	-	-	151,766
Secured Schools Safety Grant	4,554	16,931	61,788	-	(40,303)	43,023	2,720	-	-
Non-English Speaking Programs	-	19,698	987	-	18,711	22,584	20,063	-	21,232
School Technology	2,074	4,148	1,680	-	4,542	4,530	6,280	-	2,792
Career and Technical Performance Grant	-	3,265	-	-	3,265	3,473	-	-	6,738
LCSAC Prevention Grant	-	1,647	1,410	-	237	-	-	-	237
Title I	(16,494)	133,361	438,028	-	(321,161)	556,411	420,586	-	(185,336)
Title I School Improvement Grant (SIG)	-	10,000	10,000	-	-	-	-	-	-
Improving Teacher Quality, No Child Left, Title II, Part A	(1,552)	4,002	31,521	-	(29,071)	61,076	41,049	-	(9,044)
Title III - English Proficiency Migrant	-	-	1,356	-	(1,356)	-	177	-	(1,533)
N-Account Clearing Account	5,711	2,732,815	2,729,947	-	8,579	2,315,627	2,310,512	-	13,694
Totals	\$ 3,507,634	\$ 17,032,178	\$ 17,041,325	\$ (5,981)	\$ 3,492,506	\$ 16,456,589	\$ 15,314,054	\$ -	\$ 4,635,041

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:

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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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:

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

Funding Policy and Annual Pension Cost

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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

Note 7. Negative Receipts

The financial statement contains a receipt which appears as a negative entry. This is a result of a correction of error from a prior period.

Note 8. 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 9. *Holding Corporation*

The School Corporation has entered into capital leases with the Lake Station Multi-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, 2017 and 2018, totaled \$500,800 and \$554,100, respectively.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://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, 2017

	General	Referendum Tax Levy	Debt Service	Exempt Debt	Capital Projects	School Transportation	School Bus Replacement	School Lunch
Cash and investments - beginning	\$ 1,618,797	\$ -	\$ 286,994	\$ 309,384	\$ 109,500	\$ 389,840	\$ 74,219	\$ 456,925
Receipts:								
Local sources	46,530	-	1,129,010	766,361	205,260	243,952	70,111	283,674
Intermediate sources	245,003	-	-	-	-	-	-	-
State sources	9,380,683	-	-	-	-	-	-	5,370
Federal sources	-	-	-	-	-	-	-	457,907
Temporary loans	700,000	-	-	-	-	-	-	-
Other	-	-	-	-	-	2,793	-	-
Total receipts	10,372,216	-	1,129,010	766,361	205,260	246,745	70,111	746,951
Disbursements:								
Instruction	5,709,879	-	-	-	-	-	-	-
Support services	3,671,474	-	-	-	253,045	284,849	98,590	296
Noninstructional services	144,248	-	-	-	-	-	-	640,407
Facilities acquisition and construction	-	-	-	-	11,519	-	-	-
Debt service	669,000	-	975,277	746,572	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	10,194,601	-	975,277	746,572	264,564	284,849	98,590	640,703
Excess (deficiency) of receipts over disbursements	177,615	-	153,733	19,789	(59,304)	(38,104)	(28,479)	106,248
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	15,000	4,000	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(70,394)	-	-	-	-	-
Total other financing sources (uses)	-	-	(70,394)	-	-	15,000	4,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	177,615	-	83,339	19,789	(59,304)	(23,104)	(24,479)	106,248
Cash and investments - ending	\$ 1,796,412	\$ -	\$ 370,333	\$ 329,173	\$ 50,196	\$ 366,736	\$ 49,740	\$ 563,173

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, 2017

	Textbook Rental	Educational License Plates	Early Intervention Grant	Extra- Curricular Activities	Miscellaneous Programs	Lilly Counseling Initiative Grant	LCSAC 2016 Grant	Formative Assessment
Cash and investments - beginning	\$ 164,542	\$ 183	\$ 19,752	\$ 14,929	\$ 2,523	\$ -	\$ -	\$ -
Receipts:								
Local sources	52,809	-	-	-	-	30,000	-	-
Intermediate sources	-	169	-	-	-	-	-	-
State sources	79,825	-	20,407	-	-	-	(176)	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	3,186	-	-	-	-
Total receipts	132,634	169	20,407	3,186	-	30,000	(176)	-
Disbursements:								
Instruction	-	-	23,234	-	-	-	-	-
Support services	74,527	183	9,000	-	1,710	12,282	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	14,929	-	-	-	-
Total disbursements	74,527	183	32,234	14,929	1,710	12,282	-	-
Excess (deficiency) of receipts over disbursements	58,107	(14)	(11,827)	(11,743)	(1,710)	17,718	(176)	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	45,413	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	45,413	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	103,520	(14)	(11,827)	(11,743)	(1,710)	17,718	(176)	-
Cash and investments - ending	\$ 268,062	\$ 169	\$ 7,925	\$ 3,186	\$ 813	\$ 17,718	\$ (176)	\$ -

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, 2017

	Instruction Support	Computer Consortium/ Ed Tech Advance	CSF Tech Loan	STAA CSF Tech Loan	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant
Cash and investments - beginning	\$ 14,652	\$ 1,570	\$ 49,531	\$ -	\$ 4,554	\$ -	\$ 2,074	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	30,016	85,037	59,674	208,710	16,931	19,698	4,148	3,265
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	30,016	85,037	59,674	208,710	16,931	19,698	4,148	3,265
Disbursements:								
Instruction	23,758	-	-	-	-	-	-	-
Support services	-	127,379	215,506	56,944	61,788	987	1,680	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	23,758	127,379	215,506	56,944	61,788	987	1,680	-
Excess (deficiency) of receipts over disbursements	6,258	(42,342)	(155,832)	151,766	(44,857)	18,711	2,468	3,265
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	6,258	(42,342)	(155,832)	151,766	(44,857)	18,711	2,468	3,265
Cash and investments - ending	\$ 20,910	\$ (40,772)	\$ (106,301)	\$ 151,766	\$ (40,303)	\$ 18,711	\$ 4,542	\$ 3,265

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, 2017

	LCSAC Prevention Grant	Title I	Title I School Improvement Grant (SIG)	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	N-Account Clearing Account	Totals
Cash and investments - beginning	\$ -	\$ (16,494)	\$ -	\$ (1,552)	\$ -	\$ 5,711	\$ 3,507,634
Receipts:							
Local sources	-	-	-	-	-	-	2,827,707
Intermediate sources	-	-	-	-	-	-	245,172
State sources	1,647	-	-	-	-	-	9,915,235
Federal sources	-	133,361	10,000	4,002	-	-	605,270
Temporary loans	-	-	-	-	-	-	700,000
Other	-	-	-	-	-	2,732,815	2,738,794
Total receipts	1,647	133,361	10,000	4,002	-	2,732,815	17,032,178
Disbursements:							
Instruction	1,410	135,225	10,000	13,870	-	-	5,917,376
Support services	-	301,459	-	17,651	1,356	-	5,190,706
Noninstructional services	-	1,344	-	-	-	-	785,999
Facilities acquisition and construction	-	-	-	-	-	-	11,519
Debt service	-	-	-	-	-	-	2,390,849
Nonprogrammed charges	-	-	-	-	-	2,729,947	2,744,876
Total disbursements	1,410	438,028	10,000	31,521	1,356	2,729,947	17,041,325
Excess (deficiency) of receipts over disbursements	237	(304,667)	-	(27,519)	(1,356)	2,868	(9,147)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	19,000
Transfers in	-	-	-	-	-	-	45,413
Transfers out	-	-	-	-	-	-	(70,394)
Total other financing sources (uses)	-	-	-	-	-	-	(5,981)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	237	(304,667)	-	(27,519)	(1,356)	2,868	(15,128)
Cash and investments - ending	\$ 237	\$ (321,161)	\$ -	\$ (29,071)	\$ (1,356)	\$ 8,579	\$ 3,492,506

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, 2018

	General	Referendum Tax Levy	Debt Service	Exempt Debt	Capital Projects	School Transportation	School Bus Replacement	School Lunch
Cash and investments - beginning	\$ 1,796,412	\$ -	\$ 370,333	\$ 329,173	\$ 50,196	\$ 366,736	\$ 49,740	\$ 563,173
Receipts:								
Local sources	81,264	576,996	1,159,579	820,362	272,086	251,955	72,412	8,785
Intermediate sources	204,273	-	-	-	-	-	-	-
State sources	9,041,523	-	-	-	-	-	-	2,122
Federal sources	-	-	-	-	-	-	-	629,450
Other	18,333	-	-	-	-	-	-	78
Total receipts	<u>9,345,393</u>	<u>576,996</u>	<u>1,159,579</u>	<u>820,362</u>	<u>272,086</u>	<u>251,955</u>	<u>72,412</u>	<u>640,435</u>
Disbursements:								
Instruction	4,850,249	-	-	-	-	-	-	-
Support services	3,422,754	-	-	-	197,753	349,636	52,379	78
Noninstructional services	94,952	-	-	-	-	-	-	742,883
Facilities acquisition and construction	-	-	-	-	6,104	-	-	-
Debt service	700,000	-	1,038,411	751,361	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>9,067,955</u>	<u>-</u>	<u>1,038,411</u>	<u>751,361</u>	<u>203,857</u>	<u>349,636</u>	<u>52,379</u>	<u>742,961</u>
Excess (deficiency) of receipts over disbursements	<u>277,438</u>	<u>576,996</u>	<u>121,168</u>	<u>69,001</u>	<u>68,229</u>	<u>(97,681)</u>	<u>20,033</u>	<u>(102,526)</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>277,438</u>	<u>576,996</u>	<u>121,168</u>	<u>69,001</u>	<u>68,229</u>	<u>(97,681)</u>	<u>20,033</u>	<u>(102,526)</u>
Cash and investments - ending	<u>\$ 2,073,850</u>	<u>\$ 576,996</u>	<u>\$ 491,501</u>	<u>\$ 398,174</u>	<u>\$ 118,425</u>	<u>\$ 269,055</u>	<u>\$ 69,773</u>	<u>\$ 460,647</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, 2018

	Textbook Rental	Educational License Plates	Early Intervention Grant	Extra- Curricular Activities	Miscellaneous Programs	Lilly Counseling Initiative Grant	LCSAC 2016 Grant	Formative Assessment
Cash and investments - beginning	\$ 268,062	\$ 169	\$ 7,925	\$ 3,186	\$ 813	\$ 17,718	\$ (176)	\$ -
Receipts:								
Local sources	24,964	-	-	-	-	-	-	-
Intermediate sources	-	188	-	-	-	-	-	-
State sources	76,492	-	-	-	-	-	-	15,904
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	4,997	-	-	-	-
Total receipts	101,456	188	-	4,997	-	-	-	15,904
Disbursements:								
Instruction	-	-	7,075	-	-	-	-	-
Support services	72,416	-	-	-	-	17,718	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	72,416	-	7,075	-	-	17,718	-	-
Excess (deficiency) of receipts over disbursements	29,040	188	(7,075)	4,997	-	(17,718)	-	15,904
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	29,040	188	(7,075)	4,997	-	(17,718)	-	15,904
Cash and investments - ending	\$ 297,102	\$ 357	\$ 850	\$ 8,183	\$ 813	\$ -	\$ (176)	\$ 15,904

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, 2018

	Instruction Support	Computer Consortium/ Ed Tech Advance	CSF Tech Loan	STAA CSF Tech Loan	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant
Cash and investments - beginning	\$ 20,910	\$ (40,772)	\$ (106,301)	\$ 151,766	\$ (40,303)	\$ 18,711	\$ 4,542	\$ 3,265
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	30,254	-	157,848	-	43,023	22,584	4,530	3,473
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	30,254	-	157,848	-	43,023	22,584	4,530	3,473
Disbursements:								
Instruction	40,968	-	-	-	-	18,586	-	-
Support services	-	1,570	166,360	-	2,720	1,477	6,280	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	40,968	1,570	166,360	-	2,720	20,063	6,280	-
Excess (deficiency) of receipts over disbursements	(10,714)	(1,570)	(8,512)	-	40,303	2,521	(1,750)	3,473
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	(10,714)	(1,570)	(8,512)	-	40,303	2,521	(1,750)	3,473
Cash and investments - ending	\$ 10,196	\$ (42,342)	\$ (114,813)	\$ 151,766	\$ -	\$ 21,232	\$ 2,792	\$ 6,738

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, 2018

	LCSAC Prevention Grant	Title I	Title I School Improvement Grant (SIG)	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	N-Account Clearing Account	Totals
Cash and investments - beginning	\$ 237	\$ (321,161)	\$ -	\$ (29,071)	\$ (1,356)	\$ 8,579	\$ 3,492,506
Receipts:							
Local sources	-	-	-	-	-	-	3,268,403
Intermediate sources	-	-	-	-	-	-	204,461
State sources	-	-	-	-	-	-	9,397,753
Federal sources	-	556,411	-	61,076	-	-	1,246,937
Other	-	-	-	-	-	2,315,627	2,339,035
Total receipts	-	556,411	-	61,076	-	2,315,627	16,456,589
Disbursements:							
Instruction	-	204,627	-	-	177	-	5,121,682
Support services	-	215,894	-	41,049	-	-	4,548,084
Noninstructional services	-	65	-	-	-	-	837,900
Facilities acquisition and construction	-	-	-	-	-	-	6,104
Debt service	-	-	-	-	-	-	2,489,772
Nonprogrammed charges	-	-	-	-	-	2,310,512	2,310,512
Total disbursements	-	420,586	-	41,049	177	2,310,512	15,314,054
Excess (deficiency) of receipts over disbursements	-	135,825	-	20,027	(177)	5,115	1,142,535
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	-	135,825	-	20,027	(177)	5,115	1,142,535
Cash and investments - ending	\$ 237	\$ (185,336)	\$ -	\$ (9,044)	\$ (1,533)	\$ 13,694	\$ 4,635,041

LAKE STATION COMMUNITY SCHOOLS
 SCHEDULE OF LEASES AND DEBT
 June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Lake Station Multi-School Building Corporation	School Renovations	\$ 223,500	01/15/2011	01/15/2030
Lake Station Multi-School Building Corporation	School Renovations	<u>387,000</u>	01/15/2014	12/31/2031
Total of annual lease payments		<u>\$ 610,500</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Common School Loans	<u>\$ 9,027,635</u>	<u>\$ 1,184,526</u>

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF CAPITAL ASSETS
June 30, 2018

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>4,213,843</u>
Total capital assets	<u>\$ 24,306,452</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 the Major Federal Program

We have audited the Lake Station Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2016 to June 30, 2018. The School Corporation's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2018-003 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment 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.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* 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 Child Nutrition Cluster for the period of July 1, 2016 to June 30, 2018.

Other Matters

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

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003 and 2018-004, that we consider 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.

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

February 14, 2019

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.

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LAKE STATION COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 16-17, FY 17-18	\$ -	\$ 146,993	\$ -	\$ 122,943
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 16-17, FY 17-18	-	440,210	-	384,641
National School Lunch Program - Commodities			FY 16-17, FY 17-18	-	24,412	-	60,876
Total - National School Lunch Program				-	464,622	-	445,517
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program			FY 16-17, FY 17-18	-	39,707	-	14,863
Total - Child Nutrition Cluster				-	651,322	-	583,323
Total - Department of Agriculture				-	651,322	-	583,323
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
SpecialEd IDEA 611			14216-045-PN01	-	121,710	-	1,392
SpecialEd IDEA 611			14217-045-PN01	-	237,870	-	89,128
SpecialEd IDEA 611			18611-045-PN01	-	-	-	268,906
Total - Special Education Grants to States				-	359,580	-	359,426
Special Education Preschool Grants	Indiana Department of Education	84.173					
SpecialEd ECD Preschool 619			45716-045-PN01	-	2,571	-	-
SpecialEd ECD Preschool 619			45717-045-PN01	-	3,614	-	3,560
SpecialEd ECD Preschool 619			18619-045-PN01	-	-	-	2,905
Total - Special Education Preschool Grants				-	6,185	-	6,465
Total - Special Education Cluster (IDEA)				-	365,765	-	365,891
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2015-2016			16-4680	-	133,361	-	-
Title I 2016-2017			17-4680	-	-	-	395,762
Title I School Improvement			S010A150014	-	10,000	-	-
Title I 2017-2018			18-4680	-	-	-	160,649
Total - Title I Grants to Local Educational Agencies				-	143,361	-	556,411
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A FFY 2014			14-4680	-	4,002	-	-
Title II Part A FFY 2015			15-4680	-	-	-	27,747
Title II Part A FFY 2016			16-4680	-	1,325	-	33,329
Total - Supporting Effective Instruction State Grants				-	5,327	-	61,076
Total - Department of Education				-	514,453	-	983,378
Total federal awards expended				\$ -	\$ 1,165,775	\$ -	\$ 1,566,701

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, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative (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 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?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

Section II - Financial Statement Findings

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts and financial reporting.

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

Receipts

The School Corporation had not properly designed or implemented an internal control system to ensure that receipts were properly recorded. One employee issued and recorded receipts without evidence of an oversight or approval process to ensure the completeness, accuracy, and classification of the receipt to the proper fund and account.

Financial Reporting

The School Corporation had not properly designed or implemented an internal control system to ensure that the financial statement was accurate, complete, and agreed with the accounting records. One employee prepared the financial reports without evidence of an adequate oversight or review process to detect and correct errors prior to submission.

Context

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

Cause

Management of the School Corporation had not established a proper system of internal control that segregated key functions.

Effect

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

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting.

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

Views of Responsible Officials

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

FINDING 2018-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. An oversight or review process had not been established by the School Corporation to ensure that the information entered was accurate.

Context

Due to the lack of internal controls, the following errors occurred and resulted in the understatement of the total federal awards expended on the SEFA by \$91,192 and \$242,010 as of June 30, 2017, and June 30, 2018, respectively, as follows:

1. The 2016-2017 School Breakfast Program grant expenditures were overstated by \$18,709.
2. The 2016-2017 National School Lunch Program grant expenditures were overstated by \$54,581.
3. The Special Education Grants to States expenditures were understated by \$162,514 and \$242,010 for the 2016-2017 and 2017-2018 school years, respectively.
4. The Special Education Preschool Grants expenditures were understated by \$1,968 for the 2016-2017 school year.

Audit adjustments were proposed, approved by the School Corporation, and made to the SEFA.

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:

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

"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. . . .

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

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

- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

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

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure that federal expenditures will be properly reported on 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 2018-003

Subject: Child Nutrition Cluster - Procurement

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 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is repeat finding from the immediately prior audit report. The prior audit finding number was 2016-004.

Condition

The School Corporation had not designed an effective internal control system related to the grant agreement and the procurement requirements. There were no control procedures in place to ensure proper procurement methods were selected prior to purchasing goods.

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

The School Corporation did not ensure that procurements within the small purchase threshold were made in compliance with applicable local, state, and federal laws. Additionally, the School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The small purchase procedures applied to 14 vendors, totaling \$247,759 in disbursements or 18 percent of the total School Lunch fund disbursements.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period.

Criteria

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."

2 CFR 200.320 states in part:

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

(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. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and procurement requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the procurement requirements 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's management establish controls to ensure compliance with the grant agreement and procurement requirements.

Views of Responsible Officials

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

FINDING 2018-004

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-005.

Condition

The School Corporation had not established an effective system of internal controls related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

The School Corporation did not have adequate controls in place for paid lunch equity. The Food Service Director completed the weighted average price calculation; however, an oversight or review process to ensure the accuracy of the calculation was not in place.

Context

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

Criteria

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 a system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity 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 Special Tests and Provisions - Paid Lunch Equity compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Views of Responsible Officials

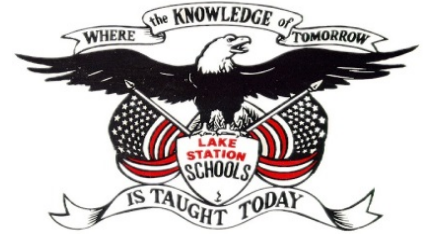
For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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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SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

FINDING 2016-001

Subject: Financial Transactions and Reporting

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

Status of Audit Finding:

Due to the timing of the conclusion of the prior audit period covering July 1, 2014 to June 30, 2016 in April 2018, corrective actions were not implemented during this audit period July 1, 2016 to June 30, 2018; and as of December 31, 2018, are still not adequately and fully implemented; and this corrective action initiative is still underway.

Anticipated Completion Date:

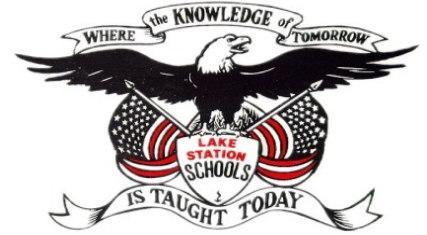
I expect this to be fully implemented by June 30, 2019.

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
December 31, 2018

LAKE STATION COMMUNITY SCHOOLS

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

FINDING 2016-002

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles

Persons Responsible for Corrective Action:

Theresa Kietzman – 219-962-1190

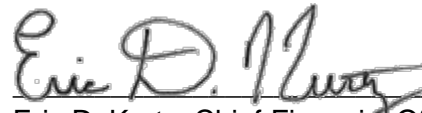
Eric Kurtz – 219-962-1159

Status of Audit Finding:

Due to the timing of the conclusion of the prior audit period covering July 1, 2014 to June 30, 2016 in April 2018, corrective actions were not implemented during this audit period July 1, 2016 to June 30, 2018; and as of December 31, 2018, are still not adequately and fully implemented; and this corrective action initiative is still underway.

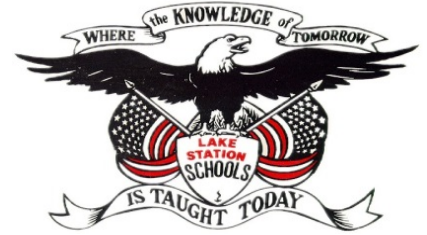
Anticipated Completion Date:

I expect this to be fully implemented by June 30, 2019.


Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
December 31, 2018

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

FINDING 2016-003

Subject: Child Nutrition Cluster - Cash Management

Persons Responsible for Corrective Action:

Theresa Kietzman – 219-962-1190

Eric Kurtz – 219-962-1159

Status of Audit Finding:

Due to the timing of the conclusion of the prior audit period covering July 1, 2014 to June 30, 2016 in April 2018, corrective actions were not implemented during this audit period July 1, 2016 to June 30, 2018.

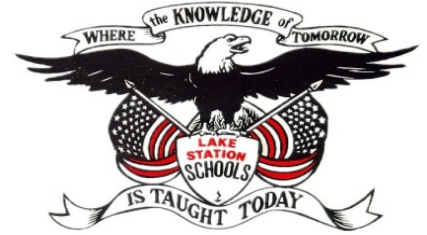
As of December 31, 2018, a capital infrastructure plan has been developed in conjunction with the Indiana DOE on how excess School Lunch fund cash balance (net cash resources) will be used and “three months average expenditures” are now tracked to ensure excess amounts are known.

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
December 31, 2018

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

FINDING 2016-004

Subject: Child Nutrition Cluster – Procurement and Suspension and Debarment

Persons Responsible for Corrective Action:

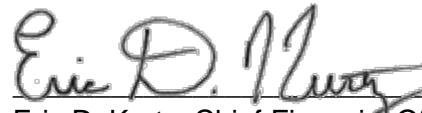
Theresa Kietzman – 219-962-1190

Eric Kurtz – 219-962-1159

Status of Audit Finding:

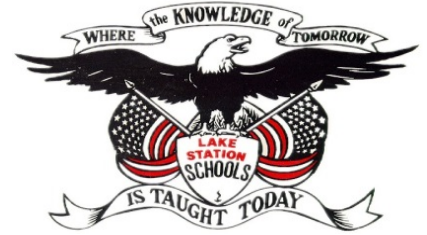
Due to the timing of the conclusion of the prior audit period covering July 1, 2014 to June 30, 2016 in April 2018, corrective actions were not implemented during this audit period July 1, 2016 to June 30, 2018.

As of August 1, 2018, practices have been implemented to check the US government's SAM site for suspended and/or debarred vendors prior to contracting for services and the NWIESC followed USDA and IN DoE procurement guidance for its 2018-2019 cooperative purchasing procurements.


Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
December 31, 2018

LAKE STATION COMMUNITY SCHOOLS

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

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

Status of Audit Finding:

Due to the timing of the conclusion of the prior audit period covering July 1, 2014 to June 30, 2016 in April 2018, corrective actions were not implemented during this audit period July 1, 2016 to June 30, 2018.

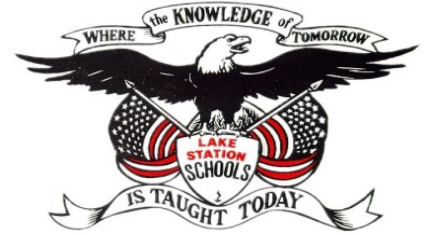
As of September 1, 2018, practices have been implemented to provide for review and verification of Paid Lunch Equity (PLE) calculations.

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
December 31, 2018

LAKE STATION COMMUNITY SCHOOLS

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FAX: (219) 962-4011



SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

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

Status of Audit Finding:

Due to the timing of the conclusion of the prior audit period covering July 1, 2014 to June 30, 2016 in April 2018, corrective actions were not implemented during this audit period July 1, 2016 to June 30, 2018.

While progress has been made in on the corrective actions for this finding; work continues to ensure full compliance.

Anticipated Completion Date:

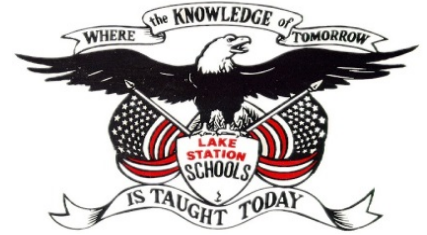
Fully implementation is expected by June 30, 2019.

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
December 31, 2018

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FAX: (219) 962-4011



SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

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

Status of Audit Finding:

Due to the timing of the conclusion of the prior audit period covering July 1, 2014 to June 30, 2016 in April 2018, corrective actions were not implemented during this audit period July 1, 2016 to June 30, 2018.

While progress has been made in on the corrective actions for this finding; work continues to ensure full compliance.

Anticipated Completion Date:

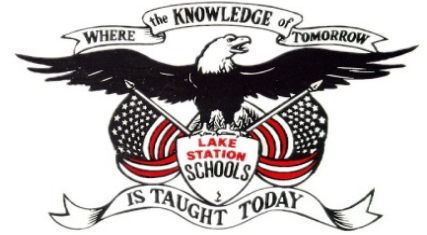
Fully implementation is expected by June 30, 2019.

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
December 31, 2018

LAKE STATION COMMUNITY SCHOOLS

2500 PIKE STREET • LAKE STATION, IN 46405-2258 • TELEPHONE: (219) 962-1159
FAX: (219) 962-4011



SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

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

Status of Audit Finding:

Due to the timing of the conclusion of the prior audit period covering July 1, 2014 to June 30, 2016 in April 2018, corrective actions were not implemented during this audit period July 1, 2016 to June 30, 2018.

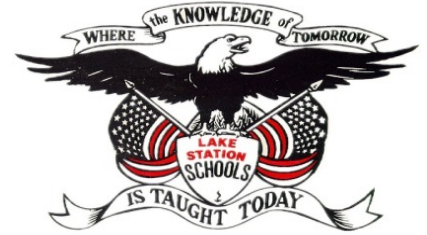
As of October 1, 2018, guidance for Suspension & Debarment / Procurement was issued; and has been used for programs subject to the federal uniform grant guidance.

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.

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December 31, 2018

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

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

Status of Audit Finding:

Due to the timing of the conclusion of the prior audit period covering July 1, 2014 to June 30, 2016 in April 2018, corrective actions were not implemented during this audit period July 1, 2016 to June 30, 2018.

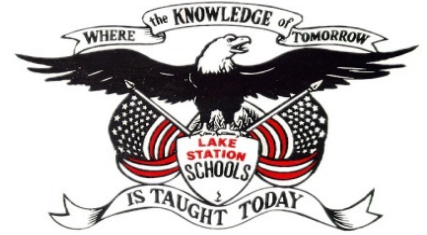
As of September 1, 2018, guidance was issued with respect to the Withdrawing Graduation Cohort Students.

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.

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Lake Station Community Schools
December 31, 2018

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

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

Status of Audit Finding:

Due to the timing of the conclusion of the prior audit period covering July 1, 2014 to June 30, 2016 in April 2018, corrective actions were not implemented during this audit period July 1, 2016 to June 30, 2018.

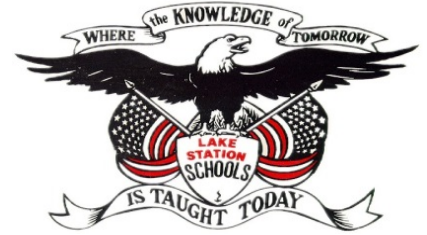
As of August 31, 2018, a comprehensive Testing Security and Integrity Program was implemented

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.

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December 31, 2018

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

FINDING 2016-011

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

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

Status of Audit Finding:

Due to the timing of the conclusion of the prior audit period covering July 1, 2014 to June 30, 2016 in April 2018, corrective actions were not implemented during this audit period July 1, 2016 to June 30, 2018.

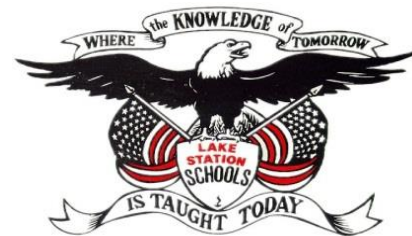
As of December 31, 2018, maintenance of effort (MOE) continues to be an area in need of attention; has not been fully corrected; we continue to work with our special education cooperative on MOE calculations and documentation.

Anticipated Completion Date:

I expect this to be fully implemented by June 30, 2019.

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
December 31, 2018



Corrective Action Plan

FINDING 2018-001

Subject: Financial Transactions and Reporting

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

Views of Responsible Official:

Due to the timing of the prior audit (through 06/30/2016) corrective actions on Financial Transactions and Reporting were not implemented during this audit period. Personnel responsible for these areas assumed responsibilities just prior to or after this audit period commenced.

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 Financial Transactions and Reporting.
- 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.
- 6) Implementation of routine multiple level Receipt and Financial Reporting reviews and verifications.

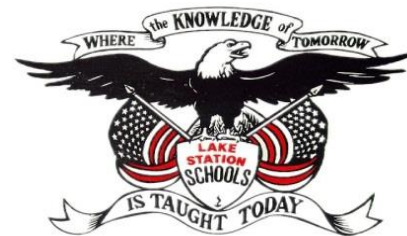
Anticipated Completion Date:

An assessment of actions, needs and a plan will be completed by June 30, 2019; with an implementation to occurring by August 1, 2019.

Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
February 14, 2019

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Corrective Action Plan

FINDING 2018-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

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

Views of Responsible Official:

Due to the timing of the prior audit (through 06/30/2016) corrective actions on Preparation of the Schedule of Expenditures of Federal Awards were not fully implemented during this audit period. Personnel responsible for these areas assumed responsibilities just prior to or after this audit period commenced.

Description of Corrective Action Plan:

The corrective action will include:

- 1) Improved training, education and professional development of personnel responsible for financial transactions and reporting.
- 2) A review of current assignments and identify opportunities to implement multiple level of review and verification.
- 3) Actions to enhance retention of personnel responsible for financial transactions and reporting to reduce turnover.
- 4) Improved use and/or consolidation of technology-based systems to ensure effectiveness and accuracy financial transactions and reporting for the SEFA; including timing issues of recognition of receipt/expenditure transactions.
- 5) Implementation of multiple level of SEFA review and verification.

Anticipated Completion Date:

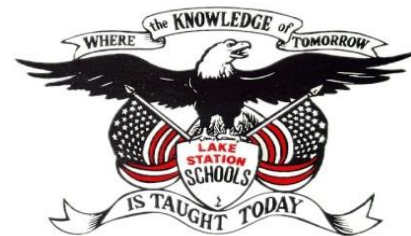
An assessment of actions, needs and a plan will be completed by June 30, 2019; with an implementation occurring prior to submission of the 2018-2019 SEFA.

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
February 14, 2019

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Corrective Action Plan

FINDING 2018-003

Subject: Child Nutrition Cluster – Procurement

Persons Responsible for Corrective Action:

Theresa Kietzman – 219-962-1190

Eric Kurtz – 219-962-1159

Views of Responsible Official:

Due to the timing of the prior audit (through 06/30/2016) corrective actions on Child Nutrition Cluster – Procurement were not fully implemented during this audit period. We have implemented cooperative purchasing with other area School Food Service Departments through the Northwest Indiana Education Service Center (NWIESC). Improvements will be made for “small purchase” procurement procedures.

Description of Corrective Action Plan:

Procedures will be developed and implemented to ensure compliance with federal procurement requirements applicable to the purchases made in the “small purchase” threshold as well as applicable local polices and state laws. Price or rate quotes will be solicited from an adequate number of qualified sources for purchases of goods or services under the “small purchase” threshold and documented.

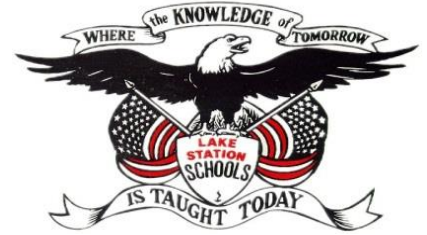
Anticipated Completion Date:

We will review current federal “small purchase” procurement guidance in conjunction with local policy and state laws and develop draft guidance by May 1, 2019; which will be implemented for purchases occurring after June 30, 2019.

Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
February 14, 2019

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Corrective Action Plan

FINDING 2018-004

Subject: Special Tests and Provisions – Paid Lunch Equity (PLE)

Persons Responsible for Corrective Action:

Theresa Kietzman – 219-962-1190

Eric Kurtz – 219-962-1159

Views of Responsible Official:

Due to the timing of the prior audit (through 06/30/2016) corrective actions on Special Tests and Provisions – Paid Lunch Equity (PLE) were not implemented during this audit period. The compliance review for Paid Lunch Equity (PLE) occurs only once per year. We will ensure future PLE compliance reviews are completed in accordance with US Department of Agriculture (USDA), Indiana Department of Education (IN DoE), and grant agreement guidance.

Description of Corrective Action Plan:

The corrective action will include:

- 1) A review PLE compliance requirements and guidance will be conducted.
- 2) Improved training, education and professional development of personnel responsible for financial and food service cluster.
- 3) Improved understanding of PLE compliance review guidance as established by the US Department of Agriculture (USDA), Indiana Department of Education (IN DoE) and grant agreement.
- 4) A review of current assignments and duties to enhance monitoring, oversight and review of the PLE will be completed.

Anticipated Completion Date:

An assessment of PLE guidance, actions, and needs be completed by May 15, 2019; and implemented for the next PLE review.

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
February 14, 2019

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/>.