

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

LAKE CENTRAL SCHOOL CORPORATION
LAKE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/29/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cathie Romba	07-01-16 to 12-31-19
Director of Business Services	Robert James	07-01-16 to 12-31-19
Superintendent of Schools	Dr. Lawrence Veracco	07-01-16 to 06-30-19
President of the School Board	John DeVries Janice Malchow Don Bacso	07-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-19



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE LAKE CENTRAL SCHOOL CORPORATION, LAKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Lake Central School Corporation (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 Payables and Receivables, 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 March 4, 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

March 4, 2019



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 CENTRAL SCHOOL CORPORATION, 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 Central School Corporation (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 March 4, 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 item 2018-001, that we consider to be a material weakness.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lake Central School Corporation's 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

March 4, 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.

LAKE CENTRAL SCHOOL CORPORATION
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	\$ 6,011,498	\$ 57,381,280	\$ 58,841,885	\$ (213,052)	\$ 4,337,841	\$ 58,848,641	\$ 58,055,471	\$ (389,709)	\$ 4,741,302
Debt Service	1,870,691	3,312,724	3,647,002	-	1,536,413	3,460,549	3,701,648	-	1,295,314
Exempt Debt	3,036,700	6,391,076	6,628,000	-	2,799,776	4,535,244	6,315,500	-	1,019,520
Exempt Pension Debt	842,913	1,307,004	1,426,126	-	723,791	1,454,796	1,327,270	-	851,317
Referendum Debt Exempt Capital	3,554,018	13,281,589	7,756,000	-	9,079,607	12,793,225	13,670,000	-	8,202,832
Capital Projects	3,492,345	11,298,121	11,971,541	8,038	2,826,963	11,225,694	10,600,311	-	3,452,346
School Transportation	3,323,433	7,148,651	7,162,288	-	3,309,796	6,644,678	7,320,680	-	2,633,794
School Bus Replacement	795,714	745,357	834,124	-	706,947	941,157	911,295	-	736,809
Rainy Day	1,350,000	-	-	-	1,350,000	-	-	-	1,350,000
Retirement/Severance Bond	475,651	-	96,720	-	378,931	-	46,813	-	332,118
Post-Retirement/Severance Future Benefits	409,520	-	789,071	658,690	279,139	-	783,851	673,282	168,570
2016 G.O. Bond	3,403,146	-	2,173,205	-	1,229,941	2,000	292,230	-	939,711
LCHS Construction	26,207	-	26,207	-	-	-	-	-	-
School Lunch	537,056	3,561,059	3,654,972	-	443,143	3,777,561	3,762,668	-	458,036
Textbook Rental	(523,164)	2,089,148	1,882,336	(341,851)	(658,203)	2,132,600	2,000,904	(176,464)	(702,971)
Self-Insurance	8,661,380	10,772,260	10,454,845	-	8,978,795	10,905,860	10,698,956	(542)	9,185,157
West Lake Special Education Cooperative	(195,613)	12,131,624	12,306,059	(103,787)	(473,835)	12,966,209	12,497,189	(106,594)	(111,409)
Early Intervention Grant 2016 / 2017	-	42,180	30,633	-	11,547	3,312	14,859	-	-
Early Intervention Grant 2017 / 2018	-	-	-	-	-	40,893	505	-	40,388
Lilly Grant	-	61,925	39,440	-	22,485	-	22,133	-	352
Kolling Nature Trail	1,000	-	-	-	1,000	-	-	-	1,000
Facility Rental	109,631	86,643	54,042	-	142,232	122,415	67,082	(515)	197,050
Aquatics Center	81,594	98,367	108,593	-	71,368	97,141	35,386	-	133,123
Masters Association	370	7,150	5,728	-	1,792	5,860	8,769	-	(1,117)
Brick Pavers	193	725	415	-	503	400	903	-	-
War Memorial	7,320	-	-	-	7,320	94	-	-	7,414
LCHS Auditorium	1,073	9,260	15,517	-	(5,184)	21,434	7,989	-	8,261
United Way	11,147	18,622	-	-	29,769	11,003	-	-	40,772
SEED United Way	52,669	40,000	81,817	-	10,852	40,156	40,144	-	10,864
Kids on the Block	786	-	-	-	786	-	-	-	786
High Ability 2015 / 2016	15,733	-	15,733	-	-	-	-	-	-
High Ability 2016 / 2017	-	72,359	69,140	-	3,219	-	3,219	-	-
High Ability 2017 / 2018	-	-	-	-	-	70,760	68,377	-	2,383
938,850 CSF 5/16	(167,248)	938,850	771,602	-	-	-	-	-	-
938,850 CSF 11/16	-	-	46,812	-	(46,812)	938,850	892,038	-	-
938,950 CSF 5/17	-	-	-	-	-	938,950	938,950	-	-

LAKE CENTRAL SCHOOL CORPORATION
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
940,300 CSF 11/17	-	-	-	-	-	-	474,327	-	(474,327)
918,350 CSF 11/15	(500,305)	918,350	418,045	-	-	-	-	-	-
Medicaid Reimbursement - State	54	5,215	4,241	-	1,028	27	1,055	-	-
NESP 2015 / 2016	2,800	-	2,800	-	-	-	-	-	-
NESP 2016 / 2017	-	45,227	45,227	-	-	-	-	-	-
NESP 2017 / 2018	-	-	-	-	-	44,750	44,750	-	-
Connectivity Grant 2016 / 2017	-	14,948	14,948	-	-	-	-	-	-
Connectivity Grant 2017 / 2018	-	-	-	-	-	20,730	9,720	-	11,010
USF Technology Refund	211,865	93,735	108,539	-	197,061	32,601	105,356	-	124,306
Career and Technical Performance Grant	-	14,970	12,892	-	2,078	24,657	2,779	-	23,956
Performance Awards Grant 2016 / 2017	-	581,693	581,693	-	-	-	-	-	-
Teacher Appreciation Grant 2017 / 2018	-	-	-	-	-	295,726	296,268	542	-
Title I 2015 / 2016	(51,418)	83,676	32,258	-	-	-	-	-	-
Title I 2016 / 2017	-	569,054	710,605	-	(141,551)	144,434	2,883	-	-
Title I 2017 / 2018	-	-	-	-	-	645,373	703,013	-	(57,640)
IDEA, Part B 2015 / 2017	(212,454)	1,353,564	1,141,110	-	-	-	-	-	-
IDEA, Part B 2016 / 2018	-	1,559,463	1,848,670	-	(289,207)	1,347,620	1,058,413	-	-
IDEA, Part B 2017 / 2019	-	-	-	-	-	1,913,994	2,164,725	-	(250,731)
Federal Preschool 2015 / 2017	(6,030)	74,087	68,057	-	-	-	-	-	-
Federal Preschool 2016 / 2018	-	26,966	34,939	-	(7,973)	78,670	70,697	-	-
Federal Preschool 2017 / 2019	-	-	-	-	-	10,972	21,163	-	(10,191)
Medicaid Reimbursement - Federal	102,201	25,634	21,597	-	106,238	17,059	14,086	-	109,211
Title II, Part A 2016 / 2018	-	3,693	14,206	-	(10,513)	55,017	50,827	-	(6,323)
Title II, Part A 2014 / 2016	(16,440)	18,255	1,815	-	-	-	-	-	-
Title II, Part A 2015 / 2017	(11,497)	122,895	111,768	-	(370)	1,409	1,039	-	-
Title II, Part A 2017 / 2019	-	-	-	-	-	3,084	3,184	-	(100)
Title III 2015 / 2017	(1,799)	12,635	10,836	-	-	-	-	-	-
Title III 2016 / 2018	-	22,452	24,783	-	(2,331)	15,320	12,989	-	-
Title III 2017 / 2019	-	-	-	-	-	19,638	21,819	-	(2,181)
Payroll Clearing Fund	67,874	14,721,909	14,632,375	-	157,408	13,779,435	13,855,227	-	81,616
Prepaid Meals Fund	74,879	136,147	119,597	-	91,428	1,131,566	1,163,025	-	59,970
Totals	<u>\$ 36,845,493</u>	<u>\$ 151,200,541</u>	<u>\$ 150,850,854</u>	<u>\$ 8,038</u>	<u>\$ 37,203,218</u>	<u>\$ 151,561,564</u>	<u>\$ 154,162,485</u>	<u>\$ -</u>	<u>\$ 34,602,298</u>

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

LAKE CENTRAL SCHOOL CORPORATION
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 CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Other receipts. Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

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

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

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

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

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

F. Other Financing Sources and Uses

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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2017 and 2018. The Textbook Rental fund had a growing cash deficit due to an increasing amount of delinquent textbook rental payments. The West Lake Special Education Cooperative fund had a deficit cash due to the timing of payroll. The fund was back to a positive cash balance by August and maintained a positive balance through the rest of calendar year 2018. The LCHS Auditorium fund had a deficit cash balance at June 30, 2017, and the Master's Association fund had a deficit cash balance at June 30, 2018. Both funds regained a positive balance in the subsequent period.

Note 8. Holding Corporation

The School Corporation has entered into capital leases with the Lake Central Multi-District 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 2017 and 2018 totaled \$11,306,400 and \$15,832,900, 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 CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
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 For the Year Ended June 30, 2017

	General	Debt Service	Exempt Debt	Exempt Pension Debt	Referendum Debt Exempt Capital	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/Severance Bond
Cash and investments - beginning	\$ 6,011,498	\$ 1,870,691	\$ 3,036,700	\$ 842,913	\$ 3,554,018	\$ 3,492,345	\$ 3,323,433	\$ 795,714	\$ 1,350,000	\$ 475,651
Receipts:										
Local sources	532,758	3,312,724	5,516,076	1,307,004	9,781,589	7,498,121	5,298,651	745,357	-	-
Intermediate sources	396,932	-	-	-	-	-	-	-	-	-
State sources	56,451,590	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	875,000	-	3,500,000	3,800,000	1,850,000	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	57,381,280	3,312,724	6,391,076	1,307,004	13,281,589	11,298,121	7,148,651	745,357	-	-
Disbursements:										
Instruction	41,982,877	-	-	-	-	20,500	500,400	-	-	96,720
Support services	15,463,432	-	-	-	-	4,664,844	4,508,188	834,124	-	-
Noninstructional services	1,395,576	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	2,845,997	-	-	-	-
Debt service	-	3,647,002	6,628,000	1,426,126	7,756,000	4,440,200	2,153,700	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	58,841,885	3,647,002	6,628,000	1,426,126	7,756,000	11,971,541	7,162,288	834,124	-	96,720
Excess (deficiency) of receipts over disbursements	(1,460,605)	(334,278)	(236,924)	(119,122)	5,525,589	(673,420)	(13,637)	(88,767)	-	(96,720)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	8,038	-	-	-	-
Transfers in	445,638	-	-	-	-	-	-	-	-	-
Transfers out	(658,890)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(213,052)	-	-	-	-	8,038	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,673,657)	(334,278)	(236,924)	(119,122)	5,525,589	(665,382)	(13,637)	(88,767)	-	(96,720)
Cash and investments - ending	\$ 4,337,841	\$ 1,536,413	\$ 2,799,776	\$ 723,791	\$ 9,079,607	\$ 2,826,963	\$ 3,309,796	\$ 706,947	\$ 1,350,000	\$ 378,931

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2017

	Post- Retirement/ Severance Future Benefits	2016 G.O. Bond	LCHS Construction	School Lunch	Textbook Rental	Self- Insurance	West Lake Special Education Cooperative	Early Intervention Grant 2016 / 2017	Early Intervention Grant 2017 / 2018	Lilly Grant
Cash and investments - beginning	\$ 409,520	\$ 3,403,146	\$ 26,207	\$ 537,056	\$ (523,164)	\$ 8,661,380	\$ (195,613)	\$ -	\$ -	\$ -
Receipts:										
Local sources	-	-	-	2,503,808	1,719,519	10,772,260	12,131,624	-	-	61,925
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	57,040	369,629	-	-	42,180	-	-
Federal sources	-	-	-	1,000,211	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	3,561,059	2,089,148	10,772,260	12,131,624	42,180	-	61,925
Disbursements:										
Instruction	789,071	-	-	-	2,994	42,756	8,649,284	30,633	-	1,970
Support services	-	62,610	-	5,250	1,879,342	112,800	3,472,587	-	-	37,470
Noninstructional services	-	-	-	3,513,575	-	-	-	-	-	-
Facilities acquisition and construction	-	2,110,595	26,207	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	136,147	-	10,299,289	184,188	-	-	-
Total disbursements	789,071	2,173,205	26,207	3,654,972	1,882,336	10,454,845	12,306,059	30,633	-	39,440
Excess (deficiency) of receipts over disbursements	(789,071)	(2,173,205)	(26,207)	(93,913)	206,812	317,415	(174,435)	11,547	-	22,485
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	658,690	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(341,851)	-	(103,787)	-	-	-
Total other financing sources (uses)	658,690	-	-	-	(341,851)	-	(103,787)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(130,381)	(2,173,205)	(26,207)	(93,913)	(135,039)	317,415	(278,222)	11,547	-	22,485
Cash and investments - ending	\$ 279,139	\$ 1,229,941	\$ -	\$ 443,143	\$ (658,203)	\$ 8,978,795	\$ (473,835)	\$ 11,547	\$ -	\$ 22,485

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2017

	Kolling Nature Trail	Facility Rental	Aquatics Center	Masters Association	Brick Pavers	War Memorial	LCHS Auditorium	United Way	SEED United Way	Kids on the Block
Cash and investments - beginning	\$ 1,000	\$ 109,631	\$ 81,594	\$ 370	\$ 193	\$ 7,320	\$ 1,073	\$ 11,147	\$ 52,669	\$ 786
Receipts:										
Local sources	-	86,643	98,367	7,150	725	-	9,260	18,622	40,000	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	86,643	98,367	7,150	725	-	9,260	18,622	40,000	-
Disbursements:										
Instruction	-	-	-	51	-	-	7,453	-	81,795	-
Support services	-	12,177	12,895	-	415	-	1,290	-	22	-
Noninstructional services	-	5,067	19,242	5,677	-	-	6,774	-	-	-
Facilities acquisition and construction	-	36,798	76,456	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	54,042	108,593	5,728	415	-	15,517	-	81,817	-
Excess (deficiency) of receipts over disbursements	-	32,601	(10,226)	1,422	310	-	(6,257)	18,622	(41,817)	-
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	-	32,601	(10,226)	1,422	310	-	(6,257)	18,622	(41,817)	-
Cash and investments - ending	\$ 1,000	\$ 142,232	\$ 71,368	\$ 1,792	\$ 503	\$ 7,320	\$ (5,184)	\$ 29,769	\$ 10,852	\$ 786

LAKE CENTRAL SCHOOL CORPORATION
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	High Ability 2015 / 2016	High Ability 2016 / 2017	High Ability 2017 / 2018	938,850 CSF 5/16	938,850 CSF 11/16	938,950 CSF 5/17	940,300 CSF 11/17	918,350 CSF 11/15	Medicaid Reimbursement - State	NESP 2015 / 2016
Cash and investments - beginning	\$ 15,733	\$ -	\$ -	\$ (167,248)	\$ -	\$ -	\$ -	\$ (500,305)	\$ 54	\$ 2,800
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	72,359	-	938,850	-	-	-	918,350	5,215	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	72,359	-	938,850	-	-	-	918,350	5,215	-
Disbursements:										
Instruction	10,641	43,911	-	-	3,000	-	-	-	4,241	2,800
Support services	5,092	25,229	-	771,602	43,812	-	-	418,045	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	15,733	69,140	-	771,602	46,812	-	-	418,045	4,241	2,800
Excess (deficiency) of receipts over disbursements	(15,733)	3,219	-	167,248	(46,812)	-	-	500,305	974	(2,800)
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	(15,733)	3,219	-	167,248	(46,812)	-	-	500,305	974	(2,800)
Cash and investments - ending	\$ -	\$ 3,219	\$ -	\$ -	\$ (46,812)	\$ -	\$ -	\$ -	\$ 1,028	\$ -

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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	NESP 2016 / 2017	NESP 2017 / 2018	Connectivity Grant 2016 / 2017	Connectivity Grant 2017 / 2018	USF Technology Refund	Career and Technical Performance Grant	Performance Awards Grant 2016 / 2017	Teacher Appreciation Grant 2017 / 2018	Title I 2015 / 2016	Title I 2016 / 2017
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 211,865	\$ -	\$ -	\$ -	\$ (51,418)	\$ -
Receipts:										
Local sources	-	-	-	-	25,328	-	66,212	-	6,162	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	45,227	-	14,948	-	68,407	14,970	515,481	-	-	-
Federal sources	-	-	-	-	-	-	-	-	77,514	569,054
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	45,227	-	14,948	-	93,735	14,970	581,693	-	83,676	569,054
Disbursements:										
Instruction	45,227	-	-	-	24,015	12,892	505,043	-	21,804	695,087
Support services	-	-	14,948	-	84,524	-	74,578	-	10,454	9,710
Noninstructional services	-	-	-	-	-	-	2,072	-	-	5,808
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	45,227	-	14,948	-	108,539	12,892	581,693	-	32,258	710,605
Excess (deficiency) of receipts over disbursements	-	-	-	-	(14,804)	2,078	-	-	51,418	(141,551)
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	-	-	-	-	(14,804)	2,078	-	-	51,418	(141,551)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 197,061	\$ 2,078	\$ -	\$ -	\$ -	\$ (141,551)

LAKE CENTRAL SCHOOL CORPORATION
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	Title I 2017 / 2018	IDEA, Part B 2015 / 2017	IDEA, Part B 2016 / 2018	IDEA, Part B 2017 / 2019	Federal Preschool 2015 / 2017	Federal Preschool 2016 / 2018	Federal Preschool 2017 / 2019	Medicaid Reimbursement - Federal	Title II, Part A 2016 / 2018
Cash and investments - beginning	\$ -	\$ (212,454)	\$ -	\$ -	\$ (6,030)	\$ -	\$ -	\$ 102,201	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	1,353,564	1,559,463	-	74,087	26,966	-	25,634	3,693
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	1,353,564	1,559,463	-	74,087	26,966	-	25,634	3,693
Disbursements:									
Instruction	-	797,471	1,310,628	-	43,865	24,974	-	7,474	9,523
Support services	-	343,639	538,042	-	24,192	9,965	-	14,123	4,683
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	1,141,110	1,848,670	-	68,057	34,939	-	21,597	14,206
Excess (deficiency) of receipts over disbursements	-	212,454	(289,207)	-	6,030	(7,973)	-	4,037	(10,513)
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	-	212,454	(289,207)	-	6,030	(7,973)	-	4,037	(10,513)
Cash and investments - ending	\$ -	\$ -	\$ (289,207)	\$ -	\$ -	\$ (7,973)	\$ -	\$ 106,238	\$ (10,513)

LAKE CENTRAL SCHOOL CORPORATION
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	Title II, Part A 2014 / 2016	Title II, Part A 2015 / 2017	Title II, Part A 2017 / 2019	Title III 2015 / 2017	Title III 2016 / 2018	Title III 2017 / 2019	Payroll Clearing Fund	Prepaid Meals Fund	Totals
Cash and investments - beginning	\$ (16,440)	\$ (11,497)	\$ -	\$ (1,799)	\$ -	\$ -	\$ 67,874	\$ 74,879	\$ 36,845,493
Receipts:									
Local sources	-	-	-	-	-	-	-	-	61,539,885
Intermediate sources	-	-	-	-	-	-	-	-	396,932
State sources	-	-	-	-	-	-	-	-	59,514,246
Federal sources	18,255	122,895	-	12,635	22,452	-	-	-	4,866,423
Temporary loans	-	-	-	-	-	-	-	-	10,025,000
Other	-	-	-	-	-	-	14,721,909	136,147	14,858,055
Total receipts	18,255	122,895	-	12,635	22,452	-	14,721,909	136,147	151,200,541
Disbursements:									
Instruction	1,758	46,310	-	10,507	23,343	-	-	-	55,851,018
Support services	57	65,458	-	329	1,440	-	-	-	33,527,368
Noninstructional services	-	-	-	-	-	-	-	-	4,953,791
Facilities acquisition and construction	-	-	-	-	-	-	-	-	5,096,053
Debt service	-	-	-	-	-	-	-	-	26,051,028
Nonprogrammed charges	-	-	-	-	-	-	14,632,375	119,597	25,371,596
Total disbursements	1,815	111,768	-	10,836	24,783	-	14,632,375	119,597	150,850,854
Excess (deficiency) of receipts over disbursements	16,440	11,127	-	1,799	(2,331)	-	89,534	16,549	349,687
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	8,038
Transfers in	-	-	-	-	-	-	-	-	1,104,328
Transfers out	-	-	-	-	-	-	-	-	(1,104,328)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	8,038
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	16,440	11,127	-	1,799	(2,331)	-	89,534	16,549	357,725
Cash and investments - ending	\$ -	\$ (370)	\$ -	\$ -	\$ (2,331)	\$ -	\$ 157,408	\$ 91,428	\$ 37,203,218

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 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	General	Debt Service	Exempt Debt	Exempt Pension Debt	Referendum Debt Exempt Capital	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/Severance Bond
Cash and investments - beginning	\$ 4,337,841	\$ 1,536,413	\$ 2,799,776	\$ 723,791	\$ 9,079,607	\$ 2,826,963	\$ 3,309,796	\$ 706,947	\$ 1,350,000	\$ 378,931
Receipts:										
Local sources	446,300	3,460,549	4,535,244	1,329,796	11,793,225	7,725,694	5,444,678	941,157	-	-
Intermediate sources	355,487	-	-	-	-	-	-	-	-	-
State sources	58,046,854	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	125,000	1,000,000	3,500,000	1,200,000	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	58,848,641	3,460,549	4,535,244	1,454,796	12,793,225	11,225,694	6,644,678	941,157	-	-
Disbursements:										
Instruction	41,149,299	-	-	-	-	-	500,400	-	-	46,813
Support services	15,546,113	-	-	-	-	4,438,848	4,970,280	911,295	-	-
Noninstructional services	1,360,059	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	2,961,463	-	-	-	-
Debt service	-	3,701,648	6,315,500	1,327,270	13,670,000	3,200,000	1,850,000	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	58,055,471	3,701,648	6,315,500	1,327,270	13,670,000	10,600,311	7,320,680	911,295	-	46,813
Excess (deficiency) of receipts over disbursements	793,170	(241,099)	(1,780,256)	127,526	(876,775)	625,383	(676,002)	29,862	-	(46,813)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	283,573	-	-	-	-	-	-	-	-	-
Transfers out	(673,282)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(389,709)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	403,461	(241,099)	(1,780,256)	127,526	(876,775)	625,383	(676,002)	29,862	-	(46,813)
Cash and investments - ending	\$ 4,741,302	\$ 1,295,314	\$ 1,019,520	\$ 851,317	\$ 8,202,832	\$ 3,452,346	\$ 2,633,794	\$ 736,809	\$ 1,350,000	\$ 332,118

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Post- Retirement/ Severance Future Benefits	2016 G.O. Bond	LCHS Construction	School Lunch	Textbook Rental	Self- Insurance	West Lake Special Education Cooperative	Early Intervention Grant 2016 / 2017	Early Intervention Grant 2017 / 2018	Lilly Grant
Cash and investments - beginning	\$ 279,139	\$ 1,229,941	\$ -	\$ 443,143	\$ (658,203)	\$ 8,978,795	\$ (473,835)	\$ 11,547	\$ -	\$ 22,485
Receipts:										
Local sources	-	2,000	-	2,578,909	1,740,516	10,905,860	12,955,427	3,312	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	56,414	392,084	-	10,782	-	40,893	-
Federal sources	-	-	-	1,142,238	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	2,000	-	3,777,561	2,132,600	10,905,860	12,966,209	3,312	40,893	-
Disbursements:										
Instruction	783,851	-	-	-	294	27,237	9,030,512	14,741	505	-
Support services	-	222,935	-	12,193	2,000,610	27,000	3,242,371	118	-	22,133
Noninstructional services	-	-	-	3,617,432	-	-	-	-	-	-
Facilities acquisition and construction	-	69,295	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	133,043	-	10,644,719	224,306	-	-	-
Total disbursements	783,851	292,230	-	3,762,668	2,000,904	10,698,956	12,497,189	14,859	505	22,133
Excess (deficiency) of receipts over disbursements	(783,851)	(290,230)	-	14,893	131,696	206,904	469,020	(11,547)	40,388	(22,133)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	673,282	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(176,464)	(542)	(106,594)	-	-	-
Total other financing sources (uses)	673,282	-	-	-	(176,464)	(542)	(106,594)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(110,569)	(290,230)	-	14,893	(44,768)	206,362	362,426	(11,547)	40,388	(22,133)
Cash and investments - ending	\$ 168,570	\$ 939,711	\$ -	\$ 458,036	\$ (702,971)	\$ 9,185,157	\$ (111,409)	\$ -	\$ 40,388	\$ 352

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Kolling Nature Trail	Facility Rental	Aquatics Center	Masters Association	Brick Pavers	War Memorial	LCHS Auditorium	United Way	SEED United Way	Kids on the Block
Cash and investments - beginning	\$ 1,000	\$ 142,232	\$ 71,368	\$ 1,792	\$ 503	\$ 7,320	\$ (5,184)	\$ 29,769	\$ 10,852	\$ 786
Receipts:										
Local sources	-	122,415	97,141	5,860	400	94	21,434	11,003	40,156	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	122,415	97,141	5,860	400	94	21,434	11,003	40,156	-
Disbursements:										
Instruction	-	134	-	53	534	-	-	-	40,123	-
Support services	-	5,235	4,506	-	369	-	1,110	-	21	-
Noninstructional services	-	7,389	28,962	8,716	-	-	6,879	-	-	-
Facilities acquisition and construction	-	54,324	1,918	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	67,082	35,386	8,769	903	-	7,989	-	40,144	-
Excess (deficiency) of receipts over disbursements	-	55,333	61,755	(2,909)	(503)	94	13,445	11,003	12	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	(515)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(515)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	54,818	61,755	(2,909)	(503)	94	13,445	11,003	12	-
Cash and investments - ending	\$ 1,000	\$ 197,050	\$ 133,123	\$ (1,117)	\$ -	\$ 7,414	\$ 8,261	\$ 40,772	\$ 10,864	\$ 786

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	High Ability 2015 / 2016	High Ability 2016 / 2017	High Ability 2017 / 2018	938,850 CSF 5/16	938,850 CSF 11/16	938,950 CSF 5/17	940,300 CSF 11/17	918,350 CSF 11/15	Medicaid Reimbursement - State	NESP 2015 / 2016
Cash and investments - beginning	\$ -	\$ 3,219	\$ -	\$ -	\$ (46,812)	\$ -	\$ -	\$ -	\$ 1,028	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	70,760	-	938,850	938,950	-	-	27	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	70,760	-	938,850	938,950	-	-	27	-
Disbursements:										
Instruction	-	-	48,198	-	27,310	2,250	15,059	-	1,055	-
Support services	-	3,219	20,179	-	864,728	936,700	459,268	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	3,219	68,377	-	892,038	938,950	474,327	-	1,055	-
Excess (deficiency) of receipts over disbursements	-	(3,219)	2,383	-	46,812	-	(474,327)	-	(1,028)	-
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	-	(3,219)	2,383	-	46,812	-	(474,327)	-	(1,028)	-
Cash and investments - ending	\$ -	\$ -	\$ 2,383	\$ -	\$ -	\$ -	\$ (474,327)	\$ -	\$ -	\$ -

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	NESP 2016 / 2017	NESP 2017 / 2018	Connectivity Grant 2016 / 2017	Connectivity Grant 2017 / 2018	USF Technology Refund	Career and Technical Performance Grant	Performance Awards Grant 2016 / 2017	Teacher Appreciation Grant 2017 / 2018	Title I 2015 / 2016	Title I 2016 / 2017
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 197,061	\$ 2,078	\$ -	\$ -	\$ -	\$ (141,551)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	44,750	-	20,730	32,601	24,657	-	295,726	-	-
Federal sources	-	-	-	-	-	-	-	-	-	144,434
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	44,750	-	20,730	32,601	24,657	-	295,726	-	144,434
Disbursements:										
Instruction	-	44,750	-	-	146	2,779	-	289,115	-	-
Support services	-	-	-	9,720	105,210	-	-	7,153	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	2,883
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	44,750	-	9,720	105,356	2,779	-	296,268	-	2,883
Excess (deficiency) of receipts over disbursements	-	-	-	11,010	(72,755)	21,878	-	(542)	-	141,551
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	542	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	542	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	11,010	(72,755)	21,878	-	-	-	141,551
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 11,010	\$ 124,306	\$ 23,956	\$ -	\$ -	\$ -	\$ -

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Title I 2017 / 2018	IDEA, Part B 2015 / 2017	IDEA, Part B 2016 / 2018	IDEA, Part B 2017 / 2019	Federal Preschool 2015 / 2017	Federal Preschool 2016 / 2018	Federal Preschool 2017 / 2019	Medicaid Reimbursement - Federal	Title II, Part A 2016 / 2018
Cash and investments - beginning	\$ -	\$ -	\$ (289,207)	\$ -	\$ -	\$ (7,973)	\$ -	\$ 106,238	\$ (10,513)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	645,373	-	1,347,620	1,913,994	-	78,670	10,972	17,059	55,017
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>645,373</u>	<u>-</u>	<u>1,347,620</u>	<u>1,913,994</u>	<u>-</u>	<u>78,670</u>	<u>10,972</u>	<u>17,059</u>	<u>55,017</u>
Disbursements:									
Instruction	675,008	-	658,361	1,380,340	-	43,855	14,322	3,059	43,961
Support services	17,446	-	400,052	784,385	-	26,842	6,841	11,027	6,866
Noninstructional services	10,559	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>703,013</u>	<u>-</u>	<u>1,058,413</u>	<u>2,164,725</u>	<u>-</u>	<u>70,697</u>	<u>21,163</u>	<u>14,086</u>	<u>50,827</u>
Excess (deficiency) of receipts over disbursements	<u>(57,640)</u>	<u>-</u>	<u>289,207</u>	<u>(250,731)</u>	<u>-</u>	<u>7,973</u>	<u>(10,191)</u>	<u>2,973</u>	<u>4,190</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>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(57,640)</u>	<u>-</u>	<u>289,207</u>	<u>(250,731)</u>	<u>-</u>	<u>7,973</u>	<u>(10,191)</u>	<u>2,973</u>	<u>4,190</u>
Cash and investments - ending	<u>\$ (57,640)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (250,731)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,191)</u>	<u>\$ 109,211</u>	<u>\$ (6,323)</u>

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Title II, Part A 2014 / 2016	Title II, Part A 2015 / 2017	Title II, Part A 2017 / 2019	Title III 2015 / 2017	Title III 2016 / 2018	Title III 2017 / 2019	Payroll Clearing Fund	Prepaid Meals Fund	Totals
Cash and investments - beginning	\$ -	\$ (370)	\$ -	\$ -	\$ (2,331)	\$ -	\$ 157,408	\$ 91,428	\$ 37,203,218
Receipts:									
Local sources	-	-	-	-	-	-	-	-	64,161,170
Intermediate sources	-	-	-	-	-	-	-	-	355,487
State sources	-	-	-	-	-	-	-	-	60,914,078
Federal sources	-	1,409	3,084	-	15,320	19,638	-	-	5,394,828
Temporary loans	-	-	-	-	-	-	-	-	5,825,000
Other	-	-	-	-	-	-	13,779,435	1,131,566	14,911,001
Total receipts	-	1,409	3,084	-	15,320	19,638	13,779,435	1,131,566	151,561,564
Disbursements:									
Instruction	-	745	3,184	-	12,989	21,819	-	-	54,882,801
Support services	-	294	-	-	-	-	-	-	35,065,067
Noninstructional services	-	-	-	-	-	-	-	-	5,042,879
Facilities acquisition and construction	-	-	-	-	-	-	-	-	3,087,000
Debt service	-	-	-	-	-	-	-	-	30,064,418
Nonprogrammed charges	-	-	-	-	-	-	13,855,227	1,163,025	26,020,320
Total disbursements	-	1,039	3,184	-	12,989	21,819	13,855,227	1,163,025	154,162,485
Excess (deficiency) of receipts over disbursements	-	370	(100)	-	2,331	(2,181)	(75,792)	(31,459)	(2,600,920)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	957,397
Transfers out	-	-	-	-	-	-	-	-	(957,397)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	370	(100)	-	2,331	(2,181)	(75,792)	(31,459)	(2,600,920)
Cash and investments - ending	\$ -	\$ -	\$ (100)	\$ -	\$ -	\$ (2,181)	\$ 81,616	\$ 59,970	\$ 34,602,298

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LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2018

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	<u>\$ 828,500</u>	<u>\$ 291,475</u>

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Lake Central Multit-District School Building Corporation	Clark Middle School Series 2014B	\$ 2,150,000	12/31/2014	12/31/2025
Lake Central Multit-District School Building Corporation	Bibich Peifer Homan Watson Refunding Series 2011	862,000	07/15/2011	12/31/2029
Lake Central Multit-District School Building Corporation	High School & Protsman Series 2012B	12,614,000	07/15/2013	01/15/2033
Lake Central Multit-District School Building Corporation	High School & Protsman Series 2013	428,000	07/15/2013	01/15/2033
Lake Central Multit-District School Building Corporation	QSCB's	<u>230,000</u>	07/15/2011	12/31/2026
Total of annual lease payments		<u>\$ 16,284,000</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	District Wide Projects		\$ 2,695,000	\$ 800,150
General obligation bonds	Pension Bonds		8,010,000	1,323,733
Tax anticipation warrants	Tax Anticipation Warrants 2018		5,325,000	5,450,415
Notes and loans payable	Common School Loan #A1641		93,240	93,706
Notes and loans payable	Common School Loan #A1651		23,114	23,230
Notes and loans payable	Common School Loan #A1688		186,480	187,879
Notes and loans payable	Common School Loan #A1744		275,610	186,037
Notes and loans payable	Common School Loan #A1788		362,640	184,493
Notes and loans payable	Common School Loan #A1823		447,750	183,130
Notes and loans payable	Common School Loan #A1894		554,640	189,964
Notes and loans payable	Common School Loan #A1932		642,845	189,639
Notes and loans payable	Common School Loan #A2703		734,680	190,558
Notes and loans payable	Common School Loan #A2855		844,965	195,750
Notes and loans payable	Common School Loan #A2914		938,850	198,502
Notes and loans payable	Common School Loan #A2946		<u>938,950</u>	<u>99,220</u>
Totals			<u>\$ 22,073,764</u>	<u>\$ 9,496,406</u>

LAKE CENTRAL SCHOOL CORPORATION
 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	\$ 5,066,000
Buildings	411,820,318
Improvements other than buildings	7,783,000
Machinery, equipment, and vehicles	57,975,574
Books and other	<u>14,775,171</u>
Total capital assets	<u>\$ 497,420,063</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE LAKE CENTRAL SCHOOL CORPORATION, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Lake Central School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Qualified Opinion on the Child Nutrition Cluster

As described in items 2018-002 and 2018-003 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements that are applicable to its Program Income, Reporting, and Procurement and Suspension and Debarment compliance requirements. 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 EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Qualified Opinion on the Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the 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.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2016 to June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-005 and 2018-006. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

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 2018-002, 2018-003, 2018-004, 2018-005, and 2018-006, 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.

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

March 4, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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LAKE CENTRAL SCHOOL CORPORATION
 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	Pass-Through To Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17	Pass-Through To Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<u>U.S. Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
			FY 16-17	\$ -	\$ 85,073	\$ -	\$ -
			FY 17-18	-	-	-	102,180
				-	85,073	-	102,180
Total - School Breakfast Program				-	85,073	-	102,180
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 16-17	-	915,134	-	-
			FY 17-18	-	-	-	1,040,058
National School Lunch Program - Commodities			FY 16-17	-	255,469	-	-
			FY 17-18	-	-	-	275,887
				-	1,170,603	-	1,315,945
Total - National School Lunch Program				-	1,170,603	-	1,315,945
Special Milk Program for Children	Indiana Department of Education	10.556					
			FY 16-17	-	4	-	-
				-	1,255,680	-	1,418,125
Total - Child Nutrition Cluster				-	1,255,680	-	1,418,125
Total - Department of Agriculture				-	1,255,680	-	1,418,125
<u>U.S. Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
			14216-062-PN01	-	798,777	-	-
			14217-062-PN01	-	1,294,069	-	740,889
			18611-062-PN01	-	-	-	1,515,308
				-	2,092,846	-	2,256,197
Total - Special Education_Grants to States				-	2,092,846	-	2,256,197
Special Education_Preschool Grants	Indiana Department of Education	84.173					
			45716-062-PN01	-	47,640	-	-
			45717-062-PN01	-	24,457	-	49,488
			18619-062-PN01	-	-	-	14,814
				-	72,097	-	64,302
Total - Special Education_Preschool Grants				-	72,097	-	64,302
Total - Special Education Cluster (IDEA)				-	2,164,943	-	2,320,499
Title 1 Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			16-4615	-	26,096	-	-
			17-4615	-	710,605	-	2,884
			18-4615	-	-	-	703,013
				-	736,701	-	705,897
Total - Title 1 Grants to Local Educational Agencies				-	736,701	-	705,897
English Language Acquisition State Grants	Indiana Department of Education	84.365					
			01116-050-PN01	-	10,835	-	-
			01117-049-PN01	-	24,783	-	12,989
			01116-050-PN01	-	-	-	21,819
				-	35,618	-	34,808
Total - English Language Acquisition State Grants				-	35,618	-	34,808
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
			14-4615	-	1,815	-	-
			S367A150015	-	111,768	-	1,039
			S367A160013	-	14,206	-	50,827
			S367A170013	-	-	-	3,184
				-	127,789	-	55,050
Total - Supporting Effective Instruction State Grants				-	127,789	-	55,050
Total - Department of Education				-	3,065,051	-	3,116,254
Total federal awards expended				\$ -	\$ 4,320,731	\$ -	\$ 4,534,379

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

LAKE CENTRAL SCHOOL CORPORATION
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 and serves as the fiscal agent for it. As a result, some activity for the Special Education Cluster (IDEA) that is presented as receipts and disbursements in the financial statement is not presented on the SEFA for the School Corporation. This activity is reported on the SEFA of the member school corporation as appropriate.

LAKE CENTRAL SCHOOL CORPORATION
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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies Special Education Cluster (IDEA)	Qualified Unmodified Unmodified

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2018-001

Subject: Internal Controls over 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 was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting of receipts.

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation had not designed or implemented proper segregation of duties related to receipts. One employee issued and recorded receipts, deposited the collections, and reconciled the receipts to the depository accounts without evidence of an oversight, review, or approval process.

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 properly implement controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation properly establish a system of internal controls related to financial transactions and reporting of receipts.

Views of Responsible Officials

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

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-002

Subject: Child Nutrition Cluster - Program Income and Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Program Income, Reporting
Audit Findings: Material Weakness, Modified Opinion

Condition

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

Monthly sales, as well as receipts for prepaid meals not yet provided, were recorded in the School Lunch fund. Monthly adjusting entries were then recorded between the School Lunch fund and the Prepaid Meals Fund to reconcile the Prepaid Meals Fund to the detail of the student prepaid accounts. The adjusting entries were not supported by adequate documentation. As a result, the program income recorded did not accurately reflect the total income for meals actually served.

The Annual Financial Reports were prepared by the Food Service Department based on their accounting records. However, as a result of the adjusting entries made to the School Corporation's records, the Annual Financial Reports did not agree with, or accurately reflect, the financial position of the School Lunch fund.

Context

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance with the reporting requirements was isolated to the Annual Financial Reports.

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 CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 210.14(c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

- (12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable;"

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

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance.
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

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

Indiana Department of Education's *General Instructions: Annual Financial Report* states:

"All data reported is on a School Food Authority basis. It should include all financial transactions from July 1 through June 30, thereby accurately reflecting the financial position of the School Food Service Fund as of June 30. Accurate supporting documentation must be maintained by appropriate accounting officials whether consolidated Corporation-level accounting is used, or one or more Extra-Curricular accounts at separate schools are used."

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The School Corporation's management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the Program Income and Reporting compliance requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance with the grant agreement and the Program Income and Reporting compliance requirements.

Views of Responsible Officials

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

FINDING 2018-003

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
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

Condition

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

The School Corporation did not obtain price and rate quotes from an adequate number of sources for the purchase of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used. The noncompliance with procurement requirements was applicable to three of ten vendors selected for testing.

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation did not verify that one vendor was not suspended or debarred from participation in federal programs. The School Corporation failed to ensure that a search of the vendor within the System for Award Management database was conducted, that a certification from the entity was collected, or that a clause or condition was added to the contract.

Context

The lack of internal controls and 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 states in part:

"(a) 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. . . .

- (i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

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. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation's management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2018-004

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 16-4615, 17-4615, 18-4615
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Assessment System Security
Audit Finding: Material Weakness

Condition

An effective internal control system was not properly implemented at the School Corporation in order to ensure compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation had not properly implemented a system of internal controls to ensure that all individuals who came in contact with tests administered under the Indiana Assessment System had completed the applicable training. Officials stated that they used checklists at each school to document that all applicable individuals completed the training; however, seven of ten school checklists were not retained for audit.

Context

The lack of properly implemented 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). . . ."

Cause

The School Corporation's management had not properly implemented a system of internal controls to document that all applicable employees completed the training.

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 - Assessment System Security compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management implement an effective control system to ensure compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

Views of Responsible Officials

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

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2018-005

Subject: Special Education Cluster (IDEA) - Earmarking, Reporting
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14216-062-PN01, 14217-062-PN01,
45716-062-PN01, 45717-062-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member of a Special Education Cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education (IDOE) and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the earmarking and reporting requirements.

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the earmarking and reporting requirements.

Earmarking

The School Corporation did not have effective system of internal controls in place to ensure that the School Corporation expends at least an amount that was the same proportion of the total subgrant as the number of nonpublic schools within its boundaries, was to the total of students with disabilities of the same age range.

A spreadsheet was maintained to track the required amount of expenditures for the nonpublic schools. The spreadsheet contained a formula error which resulted in expenditures of \$20,577 less than the requisite amount to meet the earmarking requirements. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the calculations made by the Cooperative.

Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the Quarterly Summary for Proportionate Share Reports and the Final Financial Reports were completed accurately.

The Quarterly Summary for Proportionate Share Reports submitted to the IDOE were not accurate. There was a formula error for the calculation of the total benefits on the proportionate share tracking spreadsheets, which were used to create the quarterly reports. The expenditures were overstated by \$24,441. The Final Financial Report was also incorrect in the nonpublic proportionate share line item, as noted with the Quarterly Summary for Proportionate Share reports. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the reports prior to submission by the Cooperative.

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

The lack of controls and noncompliance was isolated to the 2016-2017 school year. The lack of controls over reporting of the Final Financial Report 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). . . ."

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

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools and facilities, must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools or facilities within its boundaries, is to the total number of students with disabilities of the same age range."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:

. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance.
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the earmarking and reporting requirements.

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking, and Reporting compliance requirements.

Views of Responsible Officials

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

FINDING 2018-006

Subject: Special Education Cluster (IDEA) - Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14217-062-PN01, 18611-062-PN01,
45717-062-PN01, 18619-062-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member of a Special Education Cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

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

The Cooperative failed to verify that a search of the vendor within the System for Award Management database was conducted, that a certification from the entity was collected, or that a clause or condition was added to the contract. There was no evidence of an oversight, review, or approval process by the School Corporation to ensure the Cooperative's compliance with the suspension and debarment requirements.

Context

The lack of effective controls and noncompliance were isolated to the 2017-2018 school year.

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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 Central School Corporation

8260 Wicker Avenue
Tel: (219) 365-8507

St. John, IN 46373
Fax: (219) 365-6406

website: *lcsc.us*



Lawrence Veracco, Ph.D.
Superintendent

Rob James
Director of Business
Services

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-002

Fiscal year in which the finding initially occurred: 2014-2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Rob James, Director of Business Services
Contact Phone Number: (219) 365-8507

Status of Audit Finding:

This audit finding has been corrected. At the end of the prior audit, the Food Service Department conducted a complete inventory of their property and equipment. The inventory listing includes a description of the item, identification number, the date purchased, location of the item, and the cost.

The Food Service Department also now keeps a log of when an item is moved from one location to another, as well as a detail of items that are disposed of.



(Signature)

Director of Business Services

(Title)

2-27-19

(Date)

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Superintendent

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-003

Fiscal year in which the finding initially occurred: 2014-2016

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Rob James, Director of Business Services

Contact Phone Number: (219) 365-8507

Status of Audit Finding:

This audit finding was corrected during the prior audit. Employees who have a portion of their wages paid from federal funds maintain Personnel Activity Reports documenting the amount of time they spend working on grant related activities. These procedures were immediately implemented when this was brought to our attention during the prior audit.



(Signature)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-004

Fiscal year in which the finding initially occurred: 2014-2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Rob James, Director of Business Services
Contact Phone Number: (219) 365-8507

Status of Audit Finding:

The audit finding indicated that the School Corporation did not provide supporting documentation to determine if Title 1 teachers were involved in the school improvement plans. As noted in the prior Corrective Action Plan, we strongly disagree with this assessment. The Field Examiner was provided a listing of all of the members of the school improvement plan committee, which was submitted to and approved by the Department of Education. We also provided a listing of meeting dates and email correspondence between the principal and committee members documenting the involvement of those particular staff members. Title 1 teachers were on the committees of our Title 1 schools. Since this documentation was not adequate enough for the Field Examiner, we have now begun to have sign in sheets at all committee meetings involving staff members.



(Signature)

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CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Views of Responsible Official: We concur that there was a lack of segregation of duties related to receipts during the audit period.

Description of Corrective Action Plan:

The majority of money receipted through Central Office is received via ACH or bank wires. Currently, the Director of Business Services verifies that all of these transactions are receipted correctly. Most of the cash and checks remitted to the Corporation Treasurer (i.e. insurance checks, facility rental, food service, etc) are initially collected and counted by other individuals in the corporation. After the money is remitted to the Corporation Treasurer, a receipt is sent back to the person who collected the payments for them to compare to the amount remitted. Up until this point, with limited financial resources, we have not had the ability to add a staff member, for the sole purpose of segregating duties. Our immediate plan is to have the Director of Business Services review every receipt issued by the Corporation Treasurer to ensure they are posted properly. In the future, if it is in the best financial interest of the school district, we may have to employ an additional individual to perform some of the duties currently completed by the Corporation Treasurer.

Anticipated Completion Date: During the 2019-2020 school year.



(Signature)

Director of Business Services
(Title)

3-4-19
(Date)

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Superintendent

Rob James
Director of Business
Services

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Views of Responsible Official: We concur that the school corporation was making monthly adjustments to the School Lunch and Prepaid Meals Trust Funds during the audit period. These adjustments were made so the Prepaid Meals Trust Fund balance would equal the detail of each individual account.

Description of Corrective Action Plan:

During the audit period, the school district would make a monthly posting adjustment to reconcile the Prepaid Meals Trust Fund. By posting these adjustments, the revenue and expenditures shown in our ledger became overstated. After discussing this process with the auditors, we agreed that we should no longer post these adjustments into our ledger. Rather, the differences between the Prepaid Meals Trust Fund balance and the total of each individual account will be reconciled outside of the ledger. Reconciliation items that need to be posted to the ledger (NSF checks, voids, etc) will be done in a timely manner with supporting documentation for each entry.

Anticipated Completion Date: During the 2019-2020 school year.



(Signature)

Director of Business Services
(Title)

3-4-19
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Views of Responsible Official: We concur that the school corporation did not obtain multiple quotes for every item purchased in excess of the \$3,500 during the audit period. We also concur that of all of the vendors who qualified for the suspension and debarment provision, there was one vendor that we failed to verify through the System of Award Manager Center. Please note that this particular vendor was not suspended or debarred by the federal government. We just failed to conduct the verification.

Description of Corrective Action Plan:

The Food Service Department did obtain quotes for items they purchased through School Lunch Funds. The department also verified their vendors were not on the suspended or debarred list. The school district failed to conduct these procedures for items that were initiated at the corporation level or through a different department (i.e. Facilities and Maintenance Department). The Director of Business Services will make sure that contracts or agreements entered into with vendors at the corporation level will be verified through the System of Award Manger Center. The threshold for obtaining three quotes has now increased to \$10,000. We will first review historic expenditures that exceeded this threshold to identify areas where we need to obtain three quotes. We will discuss this requirement with our Director of Facilities to ensure quotes are obtained for items purchased through that department related to Food Service.

Anticipated Completion Date: We will identify the items that we historically failed to get quotes for during the rest of the 2018-2019 school year. Full implementation of this corrective action will begin with expenditures and contracts for the 2019-2010 school year.



(Signature)

Director of Business Services
(Title)

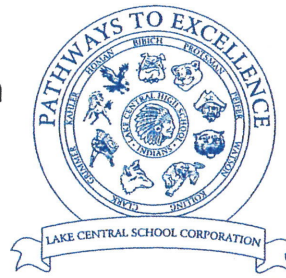
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CORRECTIVE ACTION PLAN

FINDING 2018-004

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Views of Responsible Official: Although we did provide the certification forms documenting each person who was properly trained, we concur that the not all of our schools retained the checklists they internally used to ensure that all the required people were trained.

Description of Corrective Action Plan:

There is no written requirement that states that the checklist sheets needed to be retained for audit. However, without all ten school checklists available for audit, the school district was unable to prove that proper controls were in place. The school corporation has already talked to the building principals about this issue and the need for them to retain the checklists they use to verify all required individuals have been trained. This will be immediately implemented with the required training for the 2018-2019 school year testing.

Anticipated Completion Date: Already correct for the 2018-2019 school year.



(Signature)

Director of Business Services
(Title)

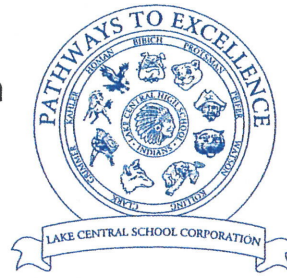
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CORRECTIVE ACTION PLAN

FINDING 2018-005

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Views of Responsible Official: We concur that there was a formula error on the spreadsheet we used to track the proportionate share expenditures for the FY2016 Special Education Grant. We also concur that there was not an oversight in place to review the calculations before the reports were submitted to the Indiana Department of Education.

Description of Corrective Action Plan:

This formula error was discovered and immediately corrected in November 2016 with the start of the FY 2017 Special Education Grant. The Director of Business Services will begin to share the quarterly proportionate share calculations with the Director of Special Education before submitting each report. By monitoring the expenditures each quarterly, we will work ensure that the proper amount of expenditures are spent on nonpublic schools.

Anticipated Completion Date: Already corrected during the 2018-2019 school year.



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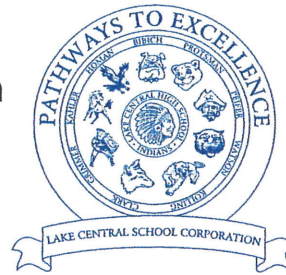
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CORRECTIVE ACTION PLAN

FINDING 2018-006

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Special Education grant mainly pays for the salaries and benefits of our own employees. In recent years, we have had to hire outside contractors to fill the need of our students needing speech and hearing pathology services. Some of these contracts have exceeded the \$25,000 suspension and debarment threshold. The Director of Special Education will give a listing of our outside contractors to the Director of Business Services at the beginning of the school year and any time an additional contractor is needed. The Director of Business Services will look up each of these contractors on the System of Award Manager Center.

Anticipated Completion Date: Implemented at the beginning of the 2019-2020 school year.



(Signature)

Director of Business Services
(Title)

3-4-19
(Date)

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/>.