

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

FINANCIAL STATEMENT AUDIT REPORT

OF

LOST RIVER CAREER COOPERATIVE

ORANGE COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED

01/03/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Naomi Heinz	07-01-17 to 06-30-20
Director	Kevin Knies	07-01-17 to 06-30-20
President of the School Board	Ralph E. Purkhiser Doug Pittman	01-01-17 to 12-31-18 01-01-19 to 12-31-19



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

TO: THE OFFICIALS OF THE LOST RIVER CAREER COOPERATIVE, ORANGE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Lost River Career Cooperative (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2017 to June 30, 2019, 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. 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, 2017 to June 30, 2019.


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, 2017 to June 30, 2019, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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 and Schedule of Payables and Receivables, 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.


Paul D. Joyce, CPA
State Examiner

December 12, 2019

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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LOST RIVER CAREER COOPERATIVE
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2018 and 2019

Fund	Cash and Investments 07-01-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-19
General	\$ 637,593	\$ 1,226,448	\$ 1,155,213	\$ -	\$ 708,828	\$ 410,684	\$ 602,752	\$ (516,760)	\$ -
Education	-	-	-	-	-	662,450	565,409	419,247	516,288
Operations	-	-	-	-	-	250,789	124,161	97,513	224,141
Indiana Youth Institute Grant	-	-	-	-	-	750	469	-	281
Performance Based Awards	(186)	3,955	3,769	-	-	-	-	-	-
Skill Up Grant	-	-	-	-	-	6,000	6,000	-	-
Basic Grant 2016-17	(102,102)	167,413	65,311	-	-	-	-	-	-
Basic Grant 2017-18	-	77,386	134,342	-	(56,956)	71,806	14,850	-	-
Basic Grant 2018-19	-	-	-	-	-	31,070	64,191	-	(33,121)
Payroll	13,908	227,880	224,997	-	16,791	244,648	249,327	-	12,112
Totals	<u>\$ 549,213</u>	<u>\$ 1,703,082</u>	<u>\$ 1,583,632</u>	<u>\$ -</u>	<u>\$ 668,663</u>	<u>\$ 1,678,197</u>	<u>\$ 1,627,159</u>	<u>\$ -</u>	<u>\$ 719,701</u>

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

LOST RIVER CAREER COOPERATIVE
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.

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.

LOST RIVER CAREER COOPERATIVE
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

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:

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.

LOST RIVER CAREER COOPERATIVE
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Note 3. 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 4. 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 5. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund Defined Benefit Plan (PERF DB) is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the School Corporation authority to contribute to the plan.

The Public Employees' Hybrid Plan (PERF Hybrid) consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

LOST RIVER CAREER COOPERATIVE
NOTES TO FINANCIAL STATEMENT
(Continued)

The Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the INPRS Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the School Corporation authority to contribute to the plan.

New employees hired have a one-time election to join either the PERF Hybrid or the My Choice.

Financial Report

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (844) 464-6777

Contributions

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) Defined Benefit Plan is a cost-sharing multiple-employer defined benefit pension plan and provides retirement, disability, and survivor benefits to plan members. TRF is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.4) and administrative code (35 IAC 14), which govern most requirements of the system and give the School Corporation authority to contribute to the fund.

TRF is composed of two accounts: Teachers' Pre-1996 and Teachers' 1996. All legally qualified and regularly employed licensed teachers serving in State of Indiana public schools are eligible to participate in Teachers' 1996. Membership in Teachers' Pre-1996 is closed to new entrants. Generally, members hired before 1996 participate in this account and members hired after 1995 participate in Teachers' 1996. Both accounts have two components: the employer-funded defined benefit component and a defined contribution account.

Financial Report

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:

LOST RIVER CAREER COOPERATIVE
NOTES TO FINANCIAL STATEMENT
(Continued)

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (844) 464-6777

Contributions

The School Corporation contributes the employer's share to Teachers' 1996 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. These contributions are determined by INPRS Board based on actuarial valuation. 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 (Teachers' Pre-1996) is considered to be an obligation of, and is paid by, the State of Indiana.

C. Additional Pension Plans

The School Corporation also contributes to additional pension plans unique to the School Corporation. Information regarding these plans may be obtained from the School Corporation.

Note 6. Establishment of the Education Fund and Operations Fund

State statute (IC 20-40-2-2) required the establishment of an Education fund to be used to pay expenses allocated to student instruction and learning. In addition, an Operations fund was required to be established under state statute (IC 20-40-18-1). This fund may be used to carry out capital project plans; pay transportation costs attributable to the transportation of school children; and pay expenses that are allocated to overhead and operational expenditures.

The balance in the School Corporation's General fund as of December 31, 2018, was required to be transferred to the Education and Operations funds. Since the General fund was used to account for both educational and operational activity of the School Corporation, the required transfers were allocated based on the percentage of educational and operating costs historically budgeted and paid from the General fund. The required transfers were made on January 28, 2019, to close out the General fund.

The Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, issued by the Indiana State Board of Accounts, includes the chart of accounts used by school corporations which coincides with the State Board of Education's determined categories in accordance with state statute (IC 20-42.5-3-7).

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants and expenses had not been reimbursed as of June 30, 2018 and 2019.

LOST RIVER CAREER COOPERATIVE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Other Postemployment Benefits*

The School Corporation provides to eligible retirees and their spouses Health Insurance Benefits. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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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.

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

	General	Education	Operations	Indiana Youth Institute Grant	Performance Based Awards	Skill Up Grant	Basic Grant 2016-17	Basic Grant 2017-18	Basic Grant 2018-19	Payroll	Totals
Cash and investments - beginning	\$ 637,593	\$ -	\$ -	\$ -	\$ (186)	\$ -	\$ (102,102)	\$ -	\$ -	\$ 13,908	\$ 549,213
Receipts:											
Local sources	1,171,125	-	-	-	-	-	-	-	-	-	1,171,125
State sources	55,323	-	-	-	3,955	-	-	-	-	-	59,278
Federal sources	-	-	-	-	-	-	167,413	77,386	-	-	244,799
Other receipts	-	-	-	-	-	-	-	-	-	227,880	227,880
Total receipts	1,226,448	-	-	-	3,955	-	167,413	77,386	-	227,880	1,703,082
Disbursements:											
Instruction	915,508	-	-	-	-	-	65,311	134,342	-	-	1,115,161
Support services	239,705	-	-	-	3,769	-	-	-	-	-	243,474
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	224,997	224,997
Total disbursements	1,155,213	-	-	-	3,769	-	65,311	134,342	-	224,997	1,583,632
Excess (deficiency) of receipts over disbursements	71,235	-	-	-	186	-	102,102	(56,956)	-	2,883	119,450
Other financing sources (uses):											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	71,235	-	-	-	186	-	102,102	(56,956)	-	2,883	119,450
Cash and investments - ending	\$ 708,828	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56,956)	\$ -	\$ 16,791	\$ 668,663

LOST RIVER CAREER COOPERATIVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2019

	General	Education	Operations	Indiana Youth Institute Grant	Performance Based Awards	Skill Up Grant	Basic Grant 2016-17	Basic Grant 2017-18	Basic Grant 2018-19	Payroll	Totals
Cash and investments - beginning	\$ 708,828	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56,956)	\$ -	\$ 16,791	\$ 668,663
Receipts:											
Local sources	386,907	662,450	220,012	750	-	6,000	-	-	-	-	1,276,119
State sources	23,777	-	30,777	-	-	-	-	-	-	-	54,554
Federal sources	-	-	-	-	-	-	-	71,806	31,070	-	102,876
Other receipts	-	-	-	-	-	-	-	-	-	244,648	244,648
Total receipts	410,684	662,450	250,789	750	-	6,000	-	71,806	31,070	244,648	1,678,197
Disbursements:											
Instruction	444,477	563,770	-	-	-	6,000	-	14,850	64,191	-	1,093,288
Support services	158,275	1,639	124,161	469	-	-	-	-	-	-	284,544
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	249,327	249,327
Total disbursements	602,752	565,409	124,161	469	-	6,000	-	14,850	64,191	249,327	1,627,159
Excess (deficiency) of receipts over disbursements	(192,068)	97,041	126,628	281	-	-	-	56,956	(33,121)	(4,679)	51,038
Other financing sources (uses):											
Transfers in	-	419,247	97,513	-	-	-	-	-	-	-	516,760
Transfers out	(516,760)	-	-	-	-	-	-	-	-	-	(516,760)
Total other financing sources (uses)	(516,760)	419,247	97,513	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(708,828)	516,288	224,141	281	-	-	-	56,956	(33,121)	(4,679)	51,038
Cash and investments - ending	\$ -	\$ 516,288	\$ 224,141	\$ 281	\$ -	\$ -	\$ -	\$ -	\$ (33,121)	\$ 12,112	\$ 719,701

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LOST RIVER CAREER COOPERATIVE
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2019

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ -</u>	<u>\$ 63,708</u>

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/>.