

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

EAST PORTER COUNTY SCHOOL CORPORATION
PORTER COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED

03/26/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Business and Human Resources	Lisa Rosinko	07-01-09 to 06-30-12
Superintendent of Schools	Dr. Rodney Gardin	07-01-09 to 06-30-12
President of the School Board	Jean Gesse Timothy Bucher	01-01-09 to 12-31-09 01-01-10 to 12-31-12



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE EAST PORTER COUNTY SCHOOL
CORPORATION, PORTER COUNTY, INDIANA

We have audited the accompanying financial statement of the East Porter County School Corporation (School Corporation), for the years ended June 30, 2010 and 2011. The financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 noted above is a different basis than that used in the prior year.

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 years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated March 12, 2012, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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 Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt 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.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 12, 2012



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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 EAST PORTER COUNTY SCHOOL
CORPORATION, PORTER COUNTY, INDIANA

We have audited the financial statement of the East Porter County School Corporation (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated March 12, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1 and 2011-2 to be material weaknesses.

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 statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1 and 2011-2.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 12, 2012

FINANCIAL STATEMENT

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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EAST PORTER COUNTY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

	Cash and Investments		Other Financing Sources (Uses)	Cash and Investments		Other Financing Sources (Uses)	Cash and Investments		
	07-01-09	Receipts		Disbursements	06-30-10		Receipts	Disbursements	06-30-11
General	\$ 824,987	\$ 13,624,777	\$ 12,287,355	\$ 55,113	\$ 2,217,522	\$ 13,527,905	\$ 12,769,566	\$ 182,430	\$ 3,158,291
Debt Service	282,612	7,774,361	5,248,086	(180,000)	2,628,887	5,322,927	5,188,750	(300,000)	2,463,064
Retirement/Severance Bond Debt Service	112,140	807,615	574,282	-	345,473	335,000	511,288	-	169,185
Capital Projects	908,254	5,609,311	3,090,285	(200,000)	3,227,280	2,445,076	3,968,583	(182,430)	1,521,343
School Transportation	478,904	1,835,102	925,314	(185,000)	1,203,692	1,252,929	911,584	(302,871)	1,242,166
School Bus Replacement	424,553	590,937	459,648	(410,000)	145,842	274,354	149,944	-	270,252
Special Education Preschool	87,377	36,486	68,750	(55,113)	-	-	-	-	-
Rainy Day	1,216,062	-	207,337	975,000	1,983,725	-	104,233	650,000	2,529,492
QSCB Washington Township	1,291	3,757,215	2,496,719	-	1,261,787	33,302	1,229,953	-	65,136
School Lunch	395,780	840,909	812,419	-	424,270	881,386	889,725	-	415,931
Textbook Rental	46,148	268,463	266,488	-	48,123	275,597	135,227	-	188,493
Levy Excess	-	-	-	-	-	47,129	-	(47,129)	-
Educational License Plates	11,606	469	-	-	12,075	544	7,234	-	5,385
School Intervention and Career Counseling	-	14,999	14,997	-	2	-	2	-	-
Kouts Bleacher	1,800	45,712	47,096	-	416	400	-	-	816
Gifts/Donations	9,050	851	1,073	-	8,828	599	854	-	8,573
Gifted and Talented	10,864	35,070	40,846	-	5,088	34,543	15,607	-	24,024
Education Technology	(1,203)	134,546	133,343	-	-	101,526	101,526	-	-
Scholarships and Awards	147,500	-	2,500	-	145,000	-	35,374	-	109,626
Non-English Speaking Programs P.L. 273-1999	834	382	1,176	-	40	687	727	-	-
School Technology	38,696	20,916	20,756	-	38,856	18,723	13,834	-	43,745
Clarian Health	1,000	-	992	-	8	48,153	48,153	-	8
EPCSC Wellness Program	11,500	15,800	20,097	-	7,203	-	1,363	-	5,840
Professional Development	16,609	7,549	20,082	-	4,076	-	4,065	-	11
Title I	26,341	157,515	203,320	-	(19,464)	202,159	170,806	-	11,889
Title I Delinquent	8,001	18,223	26,097	-	127	15,000	19,127	-	(4,000)
Innovative Education Program Strategies Title V (Part A)	888	517	1,405	-	-	-	-	-	-
Title IV Drug Free	2,948	3,983	4,435	-	2,496	2,800	5,274	-	22
Improving Teaching Quality, No Child Left, Title II, Part A	10,451	54,385	55,961	-	8,875	54,594	64,201	-	(732)
Title III, Language Instruction	-	-	-	-	-	99	899	-	(800)
Fiscal Stabilization - Education	1,058,867	481,965	1,540,832	-	-	-	-	-	-
Title I - Grants to LEAs	-	50,483	33,666	-	16,817	22,000	38,836	-	(19)
Special Education - Part B	-	129,321	129,321	-	-	4,781	5,738	-	(957)
Title I - Part D, Subpart 2	-	13,919	13,816	-	103	421,516	421,619	-	-
Clearing Account	112,749	3,020,007	2,966,834	-	165,922	2,880,653	2,919,579	-	126,996
Totals	\$ 6,246,609	\$ 39,351,788	\$ 31,715,328	\$ -	\$ 13,883,069	\$ 28,204,382	\$ 29,733,671	\$ -	\$ 12,353,780

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

EAST PORTER COUNTY 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, 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 (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the 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 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 which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

State sources which include distributions from the State of Indiana to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

EAST PORTER COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources which include distributions from the federal government to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money 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 which include amounts received from various sources which include 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 which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows 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 which includes money 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 which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

EAST PORTER COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money 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 money 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 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 March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

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

EAST PORTER COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

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

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

Indiana Public Retirement System
1 North Capital Street, 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.

EAST PORTER COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
1 North Capital Street, 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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are 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 supplementary information presented was prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Rainy Day	QSCB Washington Township
Cash and investments - beginning	\$ 824,987	\$ 282,612	\$ 112,140	\$ 908,254	\$ 478,904	\$ 424,553	\$ 87,377	\$ 1,216,062	\$ 1,291
Receipts:									
Local sources	948,830	7,774,361	627,615	3,968,664	1,832,917	590,937	2,111	-	3,757,215
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	12,675,607	-	-	-	-	-	34,375	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	180,000	1,592,000	-	-	-	-	-
Other	340	-	-	48,647	2,185	-	-	-	-
Total receipts	13,624,777	7,774,361	807,615	5,609,311	1,835,102	590,937	36,486	-	3,757,215
Disbursements:									
Current:									
Instruction	8,090,231	-	-	-	-	-	-	2,466	-
Support services	3,433,789	-	-	675,879	925,314	459,648	-	137,839	-
Noninstructional services	252,211	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,471,406	-	-	-	-	2,496,719
Debt services	-	5,247,690	574,282	943,000	-	-	-	67,032	-
Nonprogrammed charges	511,124	396	-	-	-	-	68,750	-	-
Total disbursements	12,287,355	5,248,086	574,282	3,090,285	925,314	459,648	68,750	207,337	2,496,719
Excess (deficiency) of receipts over disbursements	1,337,422	2,526,275	233,333	2,519,026	909,788	131,289	(32,264)	(207,337)	1,260,496
Other financing sources (uses):									
Transfers in	113,010	30,399	2,700	21,015	8,885	5,973	-	975,000	-
Transfers out	(57,897)	(210,399)	(2,700)	(221,015)	(193,885)	(415,973)	(55,113)	-	-
Total other financing sources (uses)	55,113	(180,000)	-	(200,000)	(185,000)	(410,000)	(55,113)	975,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,392,535	2,346,275	233,333	2,319,026	724,788	(278,711)	(87,377)	767,663	1,260,496
Cash and investments - ending	\$ 2,217,522	\$ 2,628,887	\$ 345,473	\$ 3,227,280	\$ 1,203,692	\$ 145,842	\$ -	\$ 1,983,725	\$ 1,261,787

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	School Intervention and Career Counseling	Kouts Bleacher	Gifts/Donations	Gifted and Talented	Education Technology
Cash and investments - beginning	\$ 395,780	\$ 46,148	\$ -	\$ 11,606	\$ -	\$ 1,800	\$ 9,050	\$ 10,864	\$ (1,203)
Receipts:									
Local sources	582,435	238,932	-	-	-	45,712	851	-	-
Intermediate sources	-	-	-	469	-	-	-	-	-
State sources	16,400	29,531	-	-	14,999	-	-	35,070	134,546
Federal sources	242,074	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	840,909	268,463	-	469	14,999	45,712	851	35,070	134,546
Disbursements:									
Current:									
Instruction	-	-	-	-	14,997	45,596	-	8,154	-
Support services	3,805	266,488	-	-	-	1,500	1,073	32,692	211
Noninstructional services	808,614	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	133,132
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	812,419	266,488	-	-	14,997	47,096	1,073	40,846	133,343
Excess (deficiency) of receipts over disbursements	28,490	1,975	-	469	2	(1,384)	(222)	(5,776)	1,203
Other financing sources (uses):									
Transfers in	-	-	126,997	-	-	-	-	-	-
Transfers out	-	-	(126,997)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	28,490	1,975	-	469	2	(1,384)	(222)	(5,776)	1,203
Cash and investments - ending	\$ 424,270	\$ 48,123	\$ -	\$ 12,075	\$ 2	\$ 416	\$ 8,828	\$ 5,088	\$ -

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Scholarships and Awards	Non-English Speaking Programs P.L. 273-1999	School Technology	Clarian Health	EPCSC Wellness Program	Professional Development	Title I	Title I Delinquent	Innovative Education Program Strategies Title V (Part A)
Cash and investments - beginning	\$ 147,500	\$ 834	\$ 38,696	\$ 1,000	\$ 11,500	\$ 16,609	\$ 26,341	\$ 8,001	\$ 888
Receipts:									
Local sources	-	-	20,916	-	15,800	49	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	382	-	-	-	7,500	-	-	-
Federal sources	-	-	-	-	-	-	157,515	18,223	517
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	382	20,916	-	15,800	7,549	157,515	18,223	517
Disbursements:									
Current:									
Instruction	-	342	-	992	-	-	200,136	26,097	-
Support services	2,500	-	20,756	-	20,097	20,082	864	-	1,405
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	834	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	2,320	-	-
Total disbursements	2,500	1,176	20,756	992	20,097	20,082	203,320	26,097	1,405
Excess (deficiency) of receipts over disbursements	(2,500)	(794)	160	(992)	(4,297)	(12,533)	(45,805)	(7,874)	(888)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	10,213	18	-
Transfers out	-	-	-	-	-	-	(10,213)	(18)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,500)	(794)	160	(992)	(4,297)	(12,533)	(45,805)	(7,874)	(888)
Cash and investments - ending	\$ 145,000	\$ 40	\$ 38,856	\$ 8	\$ 7,203	\$ 4,076	\$ (19,464)	\$ 127	\$ -

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Title IV Drug Free	Improving Teaching Quality, No Child Left, Title II, Part A	Title III, Language Instruction	Fiscal Stabilization - Education	Title I - Grants to LEAs	Special Education - Part B	Title I - Part D, Subpart 2	Clearing Account	Totals
Cash and investments - beginning	\$ 2,948	\$ 10,451	\$ -	\$ 1,058,867	\$ -	\$ -	\$ -	\$ 112,749	\$ 6,246,609
Receipts:									
Local sources	-	-	-	-	-	-	-	-	20,407,345
Intermediate sources	-	-	-	-	-	-	-	-	469
State sources	-	-	-	-	-	-	-	-	12,948,410
Federal sources	3,983	54,385	-	481,965	50,483	129,321	13,919	-	1,152,385
Temporary loans	-	-	-	-	-	-	-	-	1,772,000
Other	-	-	-	-	-	-	-	3,020,007	3,071,179
Total receipts	<u>3,983</u>	<u>54,385</u>	<u>-</u>	<u>481,965</u>	<u>50,483</u>	<u>129,321</u>	<u>13,919</u>	<u>3,020,007</u>	<u>39,351,788</u>
Disbursements:									
Current:									
Instruction	4,251	51,074	-	533,814	23,783	32,773	13,816	-	9,048,522
Support services	-	610	-	397,535	8,596	562	-	-	6,411,245
Noninstructional services	-	-	-	34	-	-	-	-	1,060,859
Facilities acquisition and construction	-	-	-	-	-	95,986	-	-	4,198,077
Debt services	-	-	-	-	-	-	-	-	6,832,004
Nonprogrammed charges	184	4,277	-	609,449	1,287	-	-	2,966,834	4,164,621
Total disbursements	<u>4,435</u>	<u>55,961</u>	<u>-</u>	<u>1,540,832</u>	<u>33,666</u>	<u>129,321</u>	<u>13,816</u>	<u>2,966,834</u>	<u>31,715,328</u>
Excess (deficiency) of receipts over disbursements	<u>(452)</u>	<u>(1,576)</u>	<u>-</u>	<u>(1,058,867)</u>	<u>16,817</u>	<u>-</u>	<u>103</u>	<u>53,173</u>	<u>7,636,460</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	1,294,210
Transfers out	-	-	-	-	-	-	-	-	(1,294,210)
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>(452)</u>	<u>(1,576)</u>	<u>-</u>	<u>(1,058,867)</u>	<u>16,817</u>	<u>-</u>	<u>103</u>	<u>53,173</u>	<u>7,636,460</u>
Cash and investments - ending	<u>\$ 2,496</u>	<u>\$ 8,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,817</u>	<u>\$ -</u>	<u>\$ 103</u>	<u>\$ 165,922</u>	<u>\$ 13,883,069</u>

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Rainy Day	QSCB Washington Township
Cash and investments - beginning	\$ 2,217,522	\$ 2,628,887	\$ 345,473	\$ 3,227,280	\$ 1,203,692	\$ 145,842	\$ -	\$ 1,983,725	\$ 1,261,787
Receipts:									
Local sources	477,965	5,322,927	335,000	2,421,362	1,252,929	274,354	-	-	33,302
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	13,049,940	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	23,714	-	-	-	-	-
Total receipts	<u>13,527,905</u>	<u>5,322,927</u>	<u>335,000</u>	<u>2,445,076</u>	<u>1,252,929</u>	<u>274,354</u>	<u>-</u>	<u>-</u>	<u>33,302</u>
Disbursements:									
Current:									
Instruction	8,177,717	-	-	-	-	-	-	-	-
Support services	3,544,137	-	-	775,203	911,584	149,944	-	41,312	-
Noninstructional services	240,601	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,601,380	-	-	-	-	1,229,953
Debt services	-	5,179,831	511,288	1,592,000	-	-	-	62,921	-
Nonprogrammed charges	807,111	8,919	-	-	-	-	-	-	-
Total disbursements	<u>12,769,566</u>	<u>5,188,750</u>	<u>511,288</u>	<u>3,968,583</u>	<u>911,584</u>	<u>149,944</u>	<u>-</u>	<u>104,233</u>	<u>1,229,953</u>
Excess (deficiency) of receipts over disbursements	<u>758,339</u>	<u>134,177</u>	<u>(176,288)</u>	<u>(1,523,507)</u>	<u>341,345</u>	<u>124,410</u>	<u>-</u>	<u>(104,233)</u>	<u>(1,196,651)</u>
Other financing sources (uses)									
Transfers in	182,430	-	-	-	47,129	-	-	650,000	-
Transfers out	-	(300,000)	-	(182,430)	(350,000)	-	-	-	-
Total other financing sources (uses)	<u>182,430</u>	<u>(300,000)</u>	<u>-</u>	<u>(182,430)</u>	<u>(302,871)</u>	<u>-</u>	<u>-</u>	<u>650,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>940,769</u>	<u>(165,823)</u>	<u>(176,288)</u>	<u>(1,705,937)</u>	<u>38,474</u>	<u>124,410</u>	<u>-</u>	<u>545,767</u>	<u>(1,196,651)</u>
Cash and investments - ending	<u>\$ 3,158,291</u>	<u>\$ 2,463,064</u>	<u>\$ 169,185</u>	<u>\$ 1,521,343</u>	<u>\$ 1,242,166</u>	<u>\$ 270,252</u>	<u>\$ -</u>	<u>\$ 2,529,492</u>	<u>\$ 65,136</u>

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	School Intervention and Career Counseling	Kouts Bleacher	Gifts/Donations	Gifted and Talented	Education Technology
Cash and investments - beginning	\$ 424,270	\$ 48,123	\$ -	\$ 12,075	\$ 2	\$ 416	\$ 8,828	\$ 5,088	\$ -
Receipts:									
Local sources	589,444	230,173	47,129	-	-	400	599	-	-
Intermediate sources	-	-	-	544	-	-	-	-	-
State sources	16,941	45,424	-	-	-	-	-	34,543	101,526
Federal sources	275,001	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>881,386</u>	<u>275,597</u>	<u>47,129</u>	<u>544</u>	<u>-</u>	<u>400</u>	<u>599</u>	<u>34,543</u>	<u>101,526</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	2	-	500	-	-
Support services	7,230	135,227	-	7,234	-	-	354	15,607	15
Noninstructional services	882,495	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	101,511
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>889,725</u>	<u>135,227</u>	<u>-</u>	<u>7,234</u>	<u>2</u>	<u>-</u>	<u>854</u>	<u>15,607</u>	<u>101,526</u>
Excess (deficiency) of receipts over disbursements	<u>(8,339)</u>	<u>140,370</u>	<u>47,129</u>	<u>(6,690)</u>	<u>(2)</u>	<u>400</u>	<u>(255)</u>	<u>18,936</u>	<u>-</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(47,129)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(47,129)</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>(8,339)</u>	<u>140,370</u>	<u>-</u>	<u>(6,690)</u>	<u>(2)</u>	<u>400</u>	<u>(255)</u>	<u>18,936</u>	<u>-</u>
Cash and investments - ending	<u>\$ 415,931</u>	<u>\$ 188,493</u>	<u>\$ -</u>	<u>\$ 5,385</u>	<u>\$ -</u>	<u>\$ 816</u>	<u>\$ 8,573</u>	<u>\$ 24,024</u>	<u>\$ -</u>

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Scholarships and Awards	Non-English Speaking Programs P.L. 273-1999	School Technology	Clarian Health	EPCSC Wellness Program	Professional Development	Title I	Title I Delinquent	Innovative Education Program Strategies Title V (Part A)
Cash and investments - beginning	\$ 145,000	\$ 40	\$ 38,856	\$ 8	\$ 7,203	\$ 4,076	\$ (19,464)	\$ 127	\$ -
Receipts:									
Local sources	-	-	14,366	48,153	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	687	4,357	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	202,159	15,000	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	687	18,723	48,153	-	-	202,159	15,000	-
Disbursements:									
Current:									
Instruction	24,423	727	-	-	-	-	170,806	19,127	-
Support services	6,500	-	13,644	-	1,363	4,065	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	4,451	-	190	48,153	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	35,374	727	13,834	48,153	1,363	4,065	170,806	19,127	-
Excess (deficiency) of receipts over disbursements	(35,374)	(40)	4,889	-	(1,363)	(4,065)	31,353	(4,127)	-
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	789	127	-
Transfers out	-	-	-	-	-	-	(789)	(127)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(35,374)	(40)	4,889	-	(1,363)	(4,065)	31,353	(4,127)	-
Cash and investments - ending	\$ 109,626	\$ -	\$ 43,745	\$ 8	\$ 5,840	\$ 11	\$ 11,889	\$ (4,000)	\$ -

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Title IV Drug Free	Improving Teaching Quality, No Child Left, Title II, Part A	Title III, Language Instruction	Fiscal Stabilization - Education	Title I - Grants to LEAs	Special Education - Part B	Title I - Part D, Subpart 2	Clearing Account	Totals
Cash and investments - beginning	\$ 2,496	\$ 8,875	\$ -	\$ -	\$ 16,817	\$ -	\$ 103	\$ 165,922	\$ 13,883,069
Receipts:									
Local sources	-	-	-	-	-	-	-	-	11,048,103
Intermediate sources	-	-	-	-	-	-	-	-	544
State sources	-	-	99	-	-	-	-	-	13,253,517
Federal sources	2,800	54,594	-	-	22,000	4,781	421,516	-	997,851
Other	-	-	-	-	-	-	-	2,880,653	2,904,367
Total receipts	2,800	54,594	99	-	22,000	4,781	421,516	2,880,653	28,204,382
Disbursements:									
Current:									
Instruction	5,145	59,261	899	-	38,380	4,832	421,619	-	8,923,438
Support services	-	643	-	-	456	906	-	-	5,615,424
Noninstructional services	-	-	-	-	-	-	-	-	1,123,096
Facilities acquisition and construction	-	-	-	-	-	-	-	-	2,985,638
Debt services	-	-	-	-	-	-	-	-	7,346,040
Nonprogrammed charges	129	4,297	-	-	-	-	-	2,919,579	3,740,035
Total disbursements	5,274	64,201	899	-	38,836	5,738	421,619	2,919,579	29,733,671
Excess (deficiency) of receipts over disbursements	(2,474)	(9,607)	(800)	-	(16,836)	(957)	(103)	(38,926)	(1,529,289)
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	880,475
Transfers out	-	-	-	-	-	-	-	-	(880,475)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,474)	(9,607)	(800)	-	(16,836)	(957)	(103)	(38,926)	(1,529,289)
Cash and investments - ending	\$ 22	\$ (732)	\$ (800)	\$ -	\$ (19)	\$ (957)	\$ -	\$ 126,996	\$ 12,353,780

EAST PORTER COUNTY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2011

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.

	Ending Balance
Other:	
Capital assets, not being depreciated:	
Land	\$ 525,885
Infrastructure	2,189,218
Buildings	57,795,518
Improvements other than buildings	443,908
Machinery and equipment	4,505,455
Construction in progress	2,557,079
Total capital assets not being depreciated	\$ 68,017,063

EAST PORTER COUNTY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Capital leases:			
East Porter County School Building Corp:			
2005 Lease Agreement	\$ 23,470,000	\$ 3,429,000	Debt Service
2008 Lease Agreement	19,815,000	1,651,000	Debt Service
Notes and loans payable:			
Common School Loan #A1341	12,116	12,177	Debt Service
Common School Loan #A1395	222,300	48,489	Debt Service
Bonds payable:			
General obligation bonds:			
Pension Bond of 2003	2,105,000	331,260	Retirement/Severance Bond Debt Service
2009 QSCB Bond	1,555,000	27,368	Debt Service
Total debt	\$ 47,179,416	\$ 5,499,294	

EAST PORTER COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - RECEIPTS AND CASH AND INVESTMENT BALANCES

School Corporations were responsible for developing and implementing internal controls designed to prevent and detect material misstatements and irregularities in their financial records and reports. Such controls include segregating the duties of incompatible tasks and ensuring reconciled bank cash and investment balances agree to reported cash and investment balances.

This School Corporation allowed the same individual to issue receipts, prepare deposits, and reconcile the bank accounts with limited oversight or review. By failing to properly segregate incompatible duties and overseeing that financial statements were properly reconciled to bank balances, the School Corporation risks that the financial statements could be materially misstated, or that irregularities in recordkeeping functions may not be prevented, and could go undetected.

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

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

INTERNAL CONTROLS - BOARD AND TREASURER APPROVAL OF CLAIMS

All checks issued for payments were dated and posted to the financial records prior to School Board (Board) approval. Some payments were allowed prior to Board approval as per resolution adopted by the Board. These included utility payments, debt payments, contract payments, charge payments, and payroll expenditures. These were subsequently approved at the next scheduled meeting. We could not determine if the checks that did not meet the pre-approval criteria were being held until Board approval, or which checks were released since all checks were dated prior to Board approval. These dates can be anywhere from 4 to 45 days from the time the check was issued until the Board approved.

Claims were issued either by a Purchase Order Form or an Accounts Payable Voucher. The claims that were issued only by Purchase Order did not include the statement that "I hereby certify that the attached invoice(s), or bill(s) is (are) true and correct and I have audited same in accordance with IC 5-11-10-1.6." The Board claim docket register included this statement and was signed by the Director of Business and Human Resources (Treasurer) after the checks were issued and posted. As a result, the claims were not being certified and audited until after the checks were issued and posted.

There were instances where the checks that did not meet the pre-approval criteria of the Board that were processed and paid through the bank before the Board and Treasurer gave their approval for payment.

By failing to properly have the Treasurer audit and certify claims and the Board approve claims prior to payment could cause payments to be made that are not approved, correct, or a true bills and the School Corporation risks that the financial statements could be materially misstated for purchases that have not been approved, audited, or certified.

EAST PORTER COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The Accounts Payable Voucher (Form 523) is designed to replace Claim Form 505. The form must be used in accordance with the following conditions: School corporations may not draw a warrant or check for payment of a claim unless; (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the board having jurisdiction over the allowance of the payment of the claim. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 2)

One of the duties of the treasurer of the school corporation is to issue all checks in payment of expenses lawfully incurred on behalf of the school corporation; but, except as otherwise provided by law, shall issue such checks only after proper allowance or approval by the governing body, IC 20-26-4-1(d)(3). (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

INTERNAL CONTROLS - SCHOOL LUNCH SALES

Recording of School Lunch Receipts

The School Corporation allowed for parents to prepay for meals served to students in the cafeteria. Parents could prepay for such services at each school by cash or check. The School Corporation processed all meal transactions using computer software. Money collected was reported on a daily summary report by individual school. Collections of cash and checks on the daily summary reports were verified to the bank deposits prior to posting the deposit amount to the financial records of receipts, disbursements and balances for the overall meal program. The reports were compared to the deposits at the bank to ensure the amounts deposited materially agreed to the reported collections. Since the deposit amounts were recorded in the financial records instead of actual collections from the daily summary reports, the School Corporation was not accounting for or resolving overall cash overages and shortages.

Student Trust Accounts

The computer software for the meal program at the School Corporation was able to generate a report with student balances on hand for prepaid meals at any particular date. However, a reconciliation of total cash balance of the trust account per the ledger to the detail records of trust balances was not performed.

In addition, the School Board had not adopted a formal policy addressing the disposition of the inactive student trust account balances.

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

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

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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 COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE EAST PORTER COUNTY SCHOOL
CORPORATION, PORTER COUNTY, INDIANA

Compliance

We have audited the compliance of the East Porter County School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

As described in item 2011-3 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management that are applicable to its Title I Grants to Local Educational Agencies and ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the years ended June 30, 2010 and 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-3 and 2011-4.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-3 and 2011-5 to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 12, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

EAST PORTER COUNTY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-10	Total Federal Awards Expended 06-30-11
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 16,769	\$ 21,712
National School Lunch Program	10.555		<u>275,063</u>	<u>290,020</u>
Total for federal grantor agency			<u>291,832</u>	<u>311,732</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
09-6510		SY 2008-09	27,027	-
10-6510		SY 2009-10	176,292	27,136
11-6510		SY 2010-11	<u>-</u>	<u>144,461</u>
Total for program			<u>203,319</u>	<u>171,597</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389			
Basic		SY 2009-10	33,666	2,314
Basic		SY 2010-11	-	36,522
Delinquent		SY 2009-10	<u>13,816</u>	<u>103</u>
Total for program			<u>47,482</u>	<u>38,939</u>
Total for cluster			<u>250,801</u>	<u>210,536</u>
Pass-Through Porter County Educational Services				
Special Education Cluster (IDEA)				
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391			
		FY 2009-10	129,321	-
		FY 2010-11	<u>-</u>	<u>5,737</u>
Total for cluster			<u>129,321</u>	<u>5,737</u>
Pass-Through Indiana Department of Education				
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		<u>1,540,833</u>	<u>-</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186			
6510-08		SY 08-09	2,948	-
6510-09		SY 09-10	<u>1,487</u>	<u>5,273</u>
Total for program			<u>4,435</u>	<u>5,273</u>
State Grants for Innovative Programs	84.298	07-6510	<u>1,405</u>	<u>-</u>
English Language Acquisition Grants	84.365	SY 2008-09	<u>-</u>	<u>899</u>
Improving Teacher Quality State Grants	84.367			
		08-6510	15,451	8,874
		09-6510	40,509	48,385
		10-6510	<u>-</u>	<u>6,943</u>
Total for program			<u>55,960</u>	<u>64,202</u>
ARRA - Education Jobs Fund, Recovery Act	84.410		<u>-</u>	<u>421,516</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013			
09-6510		SY 2008-09	7,983	-
10-6510		SY 2009-10	18,114	127
11-6510		SY 2010-11	<u>-</u>	<u>19,000</u>
Total for program			<u>26,097</u>	<u>19,127</u>
Total for federal grantor agency			<u>2,008,852</u>	<u>727,290</u>
Total federal awards expended			<u>\$ 2,300,684</u>	<u>\$ 1,039,022</u>

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

EAST PORTER COUNTY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the East Porter County School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2010 and 2011:

Program Title	Federal CFDA Number	2010	2011
Title I Grants to Local Educational Agencies	84.010	\$ 71,108	\$ 56,676
Title I Program for Neglected and Delinquent Children	84.013	26,097	19,127
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	9,900	1,428

Note 3. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2010 and 2011. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2010	2011
School Breakfast Program	10.553	\$ -	\$ 3,058
National School Lunch Program	10.555	49,827	50,946

EAST PORTER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported

Type of auditor's report issued on compliance for major programs:

Unqualified for:
 Child Nutrition Cluster
 Title I Grants to Local Educational Agencies – FY 10-11
 Title I State Agency Program for Neglected and Delinquent Children and Youth
 ARRA - Title I Grants to Local Educational Agencies, Recovery Act
 Education Jobs Fund, Recovery Act

Qualified for:
 Title I, Grants to Local Educational Agencies – FY 09-10
 State Fiscal Stabilization Fund Cluster

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes
--	-----

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster
	Title I, Part A Cluster
	State Fiscal Stabilization Fund Cluster
84.410	ARRA Education Jobs Fund, Recovery Act

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

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

EAST PORTER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2011-01 - INTERNAL CONTROLS - RECEIPTS AND CASH AND INVESTMENT BALANCES

School Corporations were responsible for developing and implementing internal controls designed to prevent and detect material misstatements and irregularities in their financial records and reports. Such controls include segregating the duties of incompatible tasks and ensuring reconciled bank cash and investment balances agree to reported cash and investment balances.

This School Corporation allowed the same individual to issue receipts, prepare deposits, and reconcile the bank accounts with limited oversight or review. By failing to properly segregate incompatible duties and overseeing that financial statements were properly reconciled to bank balances, the School Corporation risks that the financial statements could be materially misstated, or that irregularities in recordkeeping functions may not be prevented, and could go undetected.

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

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

We recommended that the School Corporation consider segregating some of the incompatible duties to allow for greater assurances regarding the financial transactions and reports.

FINDING 2011-02 - INTERNAL CONTROLS - BOARD AND TREASURER APPROVAL OF CLAIMS

All checks issued for payments were dated and posted to the financial records prior to School Board (Board) approval. Some payments were allowed prior to Board approval as per resolution adopted by the Board. These included utility payments, debt payments, contract payments, charge payments, and payroll expenditures. These were subsequently approved at the next scheduled meeting. We could not determine if the checks that did not meet the pre-approval criteria were being held until Board approval, or which checks were released since all checks were dated prior to Board approval. These dates can be anywhere from 4 to 45 days from the time the check was issued until the Board approved.

Claims were issued either by a Purchase Order Form or an Accounts Payable Voucher. The claims that are issued only by Purchase Order did not include the statement that "I hereby certify that the attached invoice(s), or bill(s) is (are) true and correct and I have audited same in accordance with IC 5-11-10-1.6." The Board claim docket register included this statement and was signed by the Director of Business and Human Resources (Treasurer) after the checks were issued and posted. As a result, the claims were not being certified and audited until after the checks were issued and posted.

There were instances where the checks that did not meet the pre-approval criteria of the Board that were processed and paid through the bank before the Board and Treasurer gave their approval for payment.

EAST PORTER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

By failing to properly have the Treasurer audit and certify claims, and the Board to approve claims prior to payment could cause payments to be made that are not approved, correct, or a true bills and the School Corporation risks that the financial statements could be materially misstated for purchases that have not been approved, audited, or certified.

The Accounts Payable Voucher (Form 523) is designed to replace Claim Form 505. The form must be used in accordance with the following conditions: School corporations may not draw a warrant or check for payment of a claim unless; (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the board having jurisdiction over the allowance of the payment of the claim. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 2)

One of the duties of the treasurer of the school corporation is to issue all checks in payment of expenses lawfully incurred on behalf of the school corporation; but, except as otherwise provided by law, shall issue such checks only after proper allowance or approval by the governing body, IC 20-26-4-1(d)(3). (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

We recommended that the School Corporation have controls in place to approve, audit, and certify claims for payment by the Treasurer and School Board prior to the release of the check.

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-03 - CASH MANAGEMENT CONTROLS AND COMPLIANCE

Federal Agency: U.S. Department of Education

Federal Programs: Title I Grants to Local Educational Agencies (Title I); Title I State Agency Program for Neglected and Delinquent Children and Youth (Title I, Delinquent); ARRA - Title I Grants to Local Educational Agencies, Recovery Act (ARRA Title I); ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (ARRA Fiscal Stabilization)

CFDA Numbers: 84.010, 84.013, 84.389, 84.394

Pass-Through Entity: Indiana Department of Education

Program Numbers: Title I and Title I, Delinquent - 09-6510 (SY 2008-09), 10-6510 (SY 2009-10), ARRA Title I (SY 2009-2010)

The School Corporation held cash in excess of need for the Title I grant for the months of October 2009 through April 2010, for the SY 2009-10 program year. The monthly cash balances from October 2009 through April 2010 ranged from \$16,858.86 to \$42,083.61.

The Title I Delinquent grant held cash in excess of need for the months of December 2009 through February 2010, for the SY 2009-10 program year. The monthly cash balances for this time period was \$5,634.59.

For the ARRA Title I funding, the Indiana Department of Education (IDOE), who administered the grant funds, began advancing the award. School Corporations were advised that the grant award would be distributed in equal monthly installments. School Corporations were not required to request funds as needed.

EAST PORTER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

IDOE administered the ARRA Fiscal Stabilization Fund for FY 2009-10 as advance drawdown grants, whereby School Corporations were to request funds in advance of needs. For the ARRA Fiscal Stabilization Funds, IDOE distributed \$1,093,787.21 to the School Corporation in June 2009. As of July 31, 2009, the School Corporation spent only \$245,164.39 which left a balance of \$848,622.82. Over the next two months the School Corporation spent \$344,162.67 and received an additional \$161,814.60 from IDOE. As of September 30, 2009, the School Corporation held a cash balance of \$673,274.75, which was spent by the School Corporation in October 2009. The School Corporation did not receive the final advance of \$313,151.10 until May 2010 which was promptly spent in May and June 2010.

Failure to minimize the cash on hand balances indicate noncompliance with cash management requirements established by federal agencies.

34 CFR § 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards: . . . (7) Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

34 CFR § 80.21 states in part:

"(a) Scope. This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors.

(b) Basic standard. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205. . . ."

We recommended officials follow the new guidelines established by IDOE requiring Title I funds to be reimbursed after the funds have been properly spent. Officials should establish controls to ensure cash balances are reviewed, monitored and considered prior to submitting claims for reimbursement.

FINDING 2011-4 - LATE REPORTING - SCHOOL LUNCH REIMBURSEMENTS

Federal Agency: U.S. Department of Education
Federal Program: Child Nutrition Cluster
CFDA Numbers: 10.553 and 10.555
Pass-Through Entity: Indiana Department of Education

The Indiana Department of Education (IDOE) requires school corporations to submit their "Monthly Claim for Reimbursement" report by the 10th day of the following month.

EAST PORTER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Seven of the Monthly Claim for Reimbursement for the school year ended June 30, 2010, were filed 3 to 50 days late, five of were in excess of 10 days late. Four of the reports for the school year ended June 30, 2011, were filed 2 to 11 days late, which then caused delays in receiving reimbursements.

Proper internal controls in place would ensure that proper and timely reports are being submitted to IDOE, which would result in the expedition of funds the School Corporation needs for the operation of School Lunch Program.

7 CFR § 210.8(b) states in part:

"Monthly claims. To be entitled to reimbursement under this part, each school food authority shall submit to the State agency, a monthly Claim for Reimbursement, as described in paragraph (c) of this section.

- (1) Submission timeframes. A final Claim for Reimbursement shall be postmarked or submitted to the State agency not later than 60 days following the last day of the full month covered by the claim. State agencies may establish shorter deadlines at their discretion. Claims not postmarked and/or submitted within 60 days shall not be paid with Program funds unless otherwise authorized by FNS. . . ."

We recommended that the officials closely monitor the timing of submission of reports to ensure compliance with the due dates.

***FINDING 2011-05 - INTERNAL CONTROLS RELATED TO
PROCUREMENT, SUSPENSION, AND DEBARMENT***

Federal Agency: U.S. Department of Education

Pass-Through Agencies: Indiana Department of Education

Federal Programs: Title I Grants to Local Educational Agencies (Title I), Title I State Agency Program for Neglected and Delinquent Children and Youth (Title I, Delinquent), ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (ARRA Fiscal Stabilization)

CFDA Numbers: 84.010, 84.013, 84.394

Program Numbers: Title I - 09-6510 (SY 2008-09), 10-6510 (SY 2009-10), 11-6510 (SY 2010-11), Title I, Delinquent – 09-6510 (SY 2008-09), 10-6510 (SY 2009-10)

The School Corporation did not have a system in place for determining whether or not a vendor had been excluded from doing business with the Federal Government. The School Corporation was not familiar with the "Excluded Parties Listing System" (EPLS); therefore, no one had been ensuring that vendor or sub-recipients doing business with the School Corporation have not been suspended or debarred. In accordance with federal guidelines, the School Corporation was prohibited from giving federal grant dollars to parties who have been suspended or debarred from doing business with the federal government. Such parties were listed on the "Excluded Parties Listing System" maintained by the Federal Government. By not verifying vendors against this list, the School Corporation risked providing federal funds to ineligible vendors, which would ultimately put future grant awards to the School Corporation at risk.

2 CFR § 180.220 states in part:

"(a) Covered transactions under this part—

- (1) Do not include any procurement contracts awarded directly by a Federal agency; but

EAST PORTER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(2) Do include some procurement contracts awarded by non-Federal participants in nonprocurement covered transactions.

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

(1) The contract is awarded by a participant in a nonprocurement transaction that is covered under § 180.210, and the amount of the contract is expected to equal or exceed \$25,000. . . ."

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 EPLS; or

(b) Collecting a certification from that person; or

(c) Adding a clause or condition to the covered transaction with that person."

34 CFR § 80.20(b) states:

". . . (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. . . ."

We recommended that the School Corporation design and implement controls to prevent the potential of a debarred or suspended vendor from being paid from federal funds.

EAST PORTER COUNTY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



EAST PORTER COUNTY SCHOOL CORPORATION

Lisa Rosinko, Director of Business Affairs and Human Resources
lisa.rosinko@epcsc.k12.in.us

Section II - Financial Statement Findings

FINDING NUMBER 2011-01, INTERNAL CONTROLS - RECEIPTS AND CASH AND INVESTMENT BALANCES

Auditee Contact Person: Lisa Rosinko
Title of Contact Person: Director of Business Affairs and Human Resources
Phone Number: 219-766-2214 Extension 4334
Status of Findings: Lack of Segregation of Duties
Corrective Action Plan: The following segregation of duties has been implemented in the administrative office to address findings. The school corporation Secretary will open mail and forward checks to the Director of Business Affairs and Human Resources to complete bank deposit transactions. Bank deposit slips and deposit documentation will be forwarded to the deputy treasurer to receipt in financial system. The deputy treasurer will no longer be preparing or depositing bank transactions. Bank reconciliation reports will be audited by the Director of Business Affairs and Human Resources.

FINDING NUMBER 2011-02, INTERNAL CONTROLS - BOARD AND TREASURER APPROVAL OF CLAIMS

Auditee Contact Person: Lisa Rosinko
Title of Contact Person: Director of Business Affairs and Human Resources
Phone Number: 219-766-2214 Extension 4334
Status of Findings: Approval of Claims
Corrective Action Plan: All claim checks will be dated on the same date as the school board meeting for school board member approval, unless they are claims that require payment in advance by school board resolution. The Director of Business Affairs and Human Resources will have new purchase order forms ordered from the printer to include the following statement on the accounts payable voucher purchase order form, "I hereby certify that the attached invoice(s), or bill(s) is (are) true and correct and I have audited same in accordance with IC 5-11-10-1.6".



Lisa Rosinko
Director of Business Affairs and Human Resources

3-12-12
Date



EAST PORTER COUNTY SCHOOL CORPORATION

Lisa Rosinko, Director of Business Affairs and Human Resources
lisa.rosinko@epcsc.k12.in.us

Section III – Federal Award Findings and Questioned Costs

FINDING NO. 2011-03, CASH MANAGEMENT CONTROLS AND COMPLIANCE

Federal Agency: U.S. Department of Education
Federal Programs: Title I Grants to Local Educational Agencies (Title I), Title I Program for Neglected and Delinquent Children (Title I, Delinquent), ARRA Title I Grants to Local Educational Agencies, Recovery Act (ARRA Title I), , State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (ARRA Fiscal Stabilization)
CFDA Numbers: 84.010, 84.013, 84.389, 84.394
Pass-Through Entity: Indiana Department of Education
Program Numbers: Title I and Title I, Delinquent - 09-6510 (SY 2008-09), 10-6510 (SY 2009-10), ARRA Title I (SY 2009-2010)
Auditee Contact Person: Lisa Rosinko
Title of Contact Person: Director of Business Affairs and Human Resources
Phone Number: 219-766-2214 Extension 4334
Status of Findings: Federal grant cash balances exceed allowable amount
Corrective Action Plan: Federal grant cash management procedure has been implemented to request cash based on expenditure reimbursements. Implementing this procedure will result in a federal grant cash balance to be a negative or zero balance. Federal grants will no longer have a positive cash balance.

FEDERAL FINDING 2011-4, LATE REPORTING - SCHOOL LUNCH REIMBURSEMENTS

Federal Agency: U.S. Department of Education
Federal Program: Child Nutrition Cluster
CFDA Numbers: 10.553 and 10.555
Pass-through Entity: Indiana Department of Education
Auditee Contact Person: Lisa Rosinko
Title of Contact Person: Director of Business Affairs and Human Resources
Phone Number: 219-766-2214 Extension 4334
Status of Findings: Late reporting of school lunch reimbursements
Corrective Action Plan: School lunch monthly claim for reimbursements will be submitted prior to the 10th day of the following month.



Lisa Rosinko
Director of Business Affairs and Human Resources

3-12-12
Date



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Section III – Federal Award Findings and Questioned Costs

FINDING NO. 2011-05, INTERNAL CONTROLS RELATED TO PROCUREMENT, SUSPENSION, AND DEBARMENT

Federal Agency:	U.S. Department of Education
Pass-Through Agencies:	Indiana Department of Education
Federal Programs:	Title I Grants to Local Educational Agencies (Title I), Title I Program for Neglected and Delinquent Children (Title I, Delinquent), State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (ARRA Fiscal Stabilization)
CFDA Numbers:	84.010, 84.013, 84.394
Program Numbers:	Title I - 09-6510 (SY 2008-09), 10-6510 (SY 2009-10), 11-6510 (SY 2010-11), Title I, Delinquent – 09-6510 (SY 2008-09), 10-6510 (SY 2009-10)
Auditee Contact Person:	Lisa Rosinko
Title of Contact Person:	Director of Business Affairs and Human Resources
Phone Number:	219-766-2214 Extension 4334
Status of Findings:	Verification of suspension and debarred vendors that are sub-recipients of federal grants.
Corrective Action Plan:	The school corporation has implemented a procedure to verify if a vendor is to be excluded from doing business with the federal government. Procedure will include checking the "Excluded Parties Listing System" (EPLS) to ensure that vendor or sub-recipients doing business with the school corporation have not been suspended or debarred. In accordance with federal guidelines, the school corporation will prohibit the use of federal grant dollars to parties who have been suspended or debarred from doing business with the federal government. This procedure has been reviewed with the Title I Coordinator.



Lisa Rosinko
Director of Business Affairs and Human Resources

3-12-12
Date

EAST PORTER COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2012, with Dr. Rodney Gardin, Superintendent of Schools; Timothy Bucher, President of the School Board; and Lisa Rosinko, Director of Business and Human Resources. The officials concurred with our audit findings.