

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

PORTER TOWNSHIP SCHOOL CORPORATION
PORTER COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
03/03/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards	6-7
Financial Statement:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement.....	12-16
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	18-29
Schedule of Payables and Receivables	30
Schedule of Leases and Debt	31
Schedule of Capital Assets.....	33
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	36-38
Schedule of Expenditures of Federal Awards	41
Notes to Schedule of Expenditures of Federal Awards.....	42
Schedule of Findings and Questioned Costs	43-53
Auditee Prepared Schedule:	
Corrective Action Plan.....	54-60
Exit Conference.....	61

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Treasurer	Aline Busse	07-01-11 to 06-30-14
Superintendent of Schools	Nicholas Brown Stacey Schmidt	07-01-11 to 06-30-12 07-01-12 to 06-30-14
President of the School Board	Thomas Keevin John Spangenberg	07-01-11 to 12-31-12 01-01-13 to 12-31-13



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Porter Township School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of 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 of 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, 2011 to June 30, 2013.

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, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2013, 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* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

December 18, 2013



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Porter Township School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated December 18, 2013, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be 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 2013-1 and 2013-2 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-1 and 2013-2.

Porter Township School Corporation's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 18, 2013

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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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PORTER TOWNSHIP SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 675,738	\$ 9,415,880	\$ 8,910,707	\$ -	\$ 1,180,911	\$ 9,377,924	\$ 9,162,071	\$ -	\$ 1,396,764
Debt Service	1,327,623	2,455,174	2,271,497	-	1,511,300	2,837,249	2,627,411	-	1,721,138
Retirement/Severance Bond Debt Service	20,840	171,244	126,973	-	65,111	149,612	133,976	-	80,747
Capital Projects	741,975	2,023,737	1,659,676	-	1,106,036	2,039,456	2,231,632	10,357	924,217
School Transportation	776,904	1,419,402	1,345,966	955	851,295	1,436,055	1,354,311	-	933,039
School Bus Replacement	285,128	109,676	81,023	-	313,781	32,267	-	-	346,048
Rainy Day	519,947	-	-	-	519,947	-	-	-	519,947
Retirement/Severance Bond	187,449	-	14,561	-	172,888	6,190	1,832	-	177,246
BGHS/Complex 2012 Construction	-	2,650	11,755	-	(9,105)	24,167	15,062	-	-
School Lunch	354,832	681,593	653,929	-	382,496	632,717	656,456	-	358,757
Textbook Rental	206,889	117,357	270,310	-	53,936	149,862	80,882	-	122,916
Joint Services and Supply - Area Vocational School	-	-	-	-	-	74,210	4,528	-	69,682
Educational License Plates	10,040	694	7,655	-	3,079	600	1,959	-	1,720
Scholarships Donations	3,500	6,996	4,246	-	6,250	-	5,750	-	500
Wellness Grant 10/11	20,634	-	880	(19,754)	-	-	-	-	-
Wellness Grant 11/12	-	-	3,988	19,754	15,766	4,850	2,050	-	18,566
Extra-Curricular Activity Fund	2,028	-	642	-	1,386	-	575	-	811
Donations - Counseling	1	-	-	(1)	-	-	-	-	-
CB & T Fidelity Account	-	104	-	1	105	-	-	-	105
HAS Grant	5,325	(5,325)	-	-	-	-	-	-	-
HAS Grant 10/11	19,706	5,325	25,031	-	-	-	-	-	-
HAS Grant 11/12	-	30,279	30,279	-	-	-	-	-	-
HAS Grant 12/13	-	-	-	-	-	31,795	10,995	-	20,800
STAA #1575	-	30,900	30,900	-	-	-	-	-	-
CS Tech # 1601	-	125,624	125,625	-	(1)	18,675	18,675	-	(1)
CS Tech #1637	-	-	-	-	-	140,600	140,600	-	-
STAA #1657	-	-	-	-	-	-	35,460	-	(35,460)
CS Tech #1699	-	-	-	-	-	18,230	100,437	-	(82,207)
CS Tech #1527	(4,494)	86,095	81,601	-	-	-	-	-	-
ECA Facility Use	1,500	16,965	3,439	(11,986)	3,040	1,461	23	-	4,478
ECA Transportation Fee	-	4,410	10,353	3,537	(2,406)	13,761	12,652	-	(1,297)
ECA Drug Testing Fee	-	(4,190)	1,775	8,450	2,485	4,825	5,665	-	1,645
Non-English Speaking Programs P.L. 273-1999	-	960	960	-	-	-	-	-	-
Non-English Speaking Programs 12/13	-	-	-	-	-	1,508	-	-	1,508
School Technology/E-Rate	42,937	40,835	44,720	-	39,052	85,003	15,500	-	108,555
Project Care/Trustee	6,500	11,500	6,500	-	11,500	6,500	9,433	-	8,567
Senator David Ford Technology	-	-	-	-	-	-	37,500	-	(37,500)
Excess PTRC Distributions	27,381	-	-	-	27,381	-	-	-	27,381
Title I 2010-2011	(12,667)	53,505	48,705	7,867	-	-	-	-	-
Title I 2011-2012	-	59,073	59,218	(7,867)	(8,012)	14,282	13,066	-	(6,796)
Title I 2012-2013	-	-	-	-	-	112,891	123,280	-	(10,389)
Drug Free Schools	735	-	1,925	1,190	-	-	-	-	-
Drug Free Schools 2009	-	1,190	-	(1,190)	-	-	-	-	-
Improving Teaching Quality, Title II, Part A	(3,170)	4,143	973	-	-	-	-	-	-
Improving Teaching Quality, Title II, Part A FY 2011	-	37,597	37,597	-	-	-	-	-	-
Improving Teaching Quality, Title II, Part A FY 2012	-	-	-	-	-	9,194	9,229	-	(35)
Title I - ARRA Stimulus	(2,163)	4,235	2,072	-	-	-	-	-	-
Special Education - IDEA Part B	(5,471)	29,430	23,959	-	-	-	-	-	-
Education Jobs	-	256,699	280,123	-	(23,424)	29,144	5,720	-	-
Payroll Clearing Account	-	1,756,041	1,756,041	-	-	1,715,947	1,715,969	-	(22)
Food Service ACH Deposits	-	197,370	197,370	-	-	203,515	203,515	-	-
Totals	\$ 5,209,647	\$ 19,147,168	\$ 18,132,974	\$ 956	\$ 6,224,797	\$ 19,172,490	\$ 18,736,214	\$ 10,357	\$ 6,671,430

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

PORTER TOWNSHIP 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.

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 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.

PORTER TOWNSHIP SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources include distributions from the State of Indiana and are 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.

Federal sources include distributions from the federal government and are 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:

PORTER TOWNSHIP SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

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.

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 or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's 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.

PORTER TOWNSHIP SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plan

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:

PORTER TOWNSHIP SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENT
 (Continued)

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.

Note 7. Negative Receipts and Disbursements

The financial statement contains some receipts and/or disbursements which appear as negative entries. This is a result of either a transfer or correcting errors made in a prior period which required a reversal of a receipt or expenditure.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of grant, construction, local school, and certain loan expenditures for which reimbursements had not been received prior to June 30, 2012, and June 30, 2013.

Note 9. Restatement

For the year ended June 30, 2012, certain changes have been made to the beginning balance of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of the restated beginning balance.

Fund Name	Balance June 30, 2011	Prior Period Adjustment	Balance July 1, 2011
Voluntary Employee Benefits Association	\$ 1,508,806	\$ (1,508,806)	\$ -

Note 10. Holding Corporation

The School Corporation has entered into a capital lease with the Porter Township High School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the fiscal years 2012 and 2013 totaled \$1,598,615 and \$1,917,819, respectively.

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 approved by management of the School Corporation. It is presented as intended by the School Corporation.

PORTER TOWNSHIP SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	BGHS/Complex 2012 Construction
Cash and investments - beginning	\$ 675,738	\$ 1,327,623	\$ 20,840	\$ 741,975	\$ 776,904	\$ 285,128	\$ 519,947	\$ 187,449	\$ -
Receipts:									
Local sources	(87,665)	2,455,174	171,244	1,258,586	1,234,902	109,676	-	-	2,650
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	9,027,045	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	476,500	-	-	750,000	184,500	-	-	-	-
Other	-	-	-	15,151	-	-	-	-	-
Total receipts	<u>9,415,880</u>	<u>2,455,174</u>	<u>171,244</u>	<u>2,023,737</u>	<u>1,419,402</u>	<u>109,676</u>	<u>-</u>	<u>-</u>	<u>2,650</u>
Disbursements:									
Current:									
Instruction	5,889,900	-	-	-	-	-	-	14,561	-
Support services	2,395,947	-	-	555,852	1,161,408	81,023	-	-	2,524
Noninstructional services	148,385	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	639,521	-	-	-	-	9,231
Debt services	476,475	2,271,497	126,973	464,303	184,558	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>8,910,707</u>	<u>2,271,497</u>	<u>126,973</u>	<u>1,659,676</u>	<u>1,345,966</u>	<u>81,023</u>	<u>-</u>	<u>14,561</u>	<u>11,755</u>
Excess (deficiency) of receipts over disbursements	<u>505,173</u>	<u>183,677</u>	<u>44,271</u>	<u>364,061</u>	<u>73,436</u>	<u>28,653</u>	<u>-</u>	<u>(14,561)</u>	<u>(9,105)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	955	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>505,173</u>	<u>183,677</u>	<u>44,271</u>	<u>364,061</u>	<u>74,391</u>	<u>28,653</u>	<u>-</u>	<u>(14,561)</u>	<u>(9,105)</u>
Cash and investments - ending	<u>\$ 1,180,911</u>	<u>\$ 1,511,300</u>	<u>\$ 65,111</u>	<u>\$ 1,106,036</u>	<u>\$ 851,295</u>	<u>\$ 313,781</u>	<u>\$ 519,947</u>	<u>\$ 172,888</u>	<u>\$ (9,105)</u>

PORTER TOWNSHIP SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	School Lunch	Textbook Rental	Joint Services and Supply Area Vocational School	Educational License Plates	Scholarships Donations	Wellness Grant 10/11	Wellness Grant 11/12	Extra-Curricular Activity Fund	Donations - Counseling
Cash and investments - beginning	\$ 354,832	\$ 206,889	\$ -	\$ 10,040	\$ 3,500	\$ 20,634	\$ -	\$ 2,028	\$ 1
Receipts:									
Local sources	681,593	89,828	-	-	5,500	-	-	-	-
Intermediate sources	-	-	-	694	-	-	-	-	-
State sources	-	27,529	-	-	-	-	-	-	-
Federal sources	-	-	-	-	1,496	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>681,593</u>	<u>117,357</u>	<u>-</u>	<u>694</u>	<u>6,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	-	2,939	-	-	-	-	-
Support services	3,867	270,310	-	4,716	-	880	3,988	642	-
Noninstructional services	650,062	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	4,246	-	-	-	-
Total disbursements	<u>653,929</u>	<u>270,310</u>	<u>-</u>	<u>7,655</u>	<u>4,246</u>	<u>880</u>	<u>3,988</u>	<u>642</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>27,664</u>	<u>(152,953)</u>	<u>-</u>	<u>(6,961)</u>	<u>2,750</u>	<u>(880)</u>	<u>(3,988)</u>	<u>(642)</u>	<u>-</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	19,754	-	-
Transfers out	-	-	-	-	-	(19,754)	-	-	(1)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,754)</u>	<u>19,754</u>	<u>-</u>	<u>(1)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>27,664</u>	<u>(152,953)</u>	<u>-</u>	<u>(6,961)</u>	<u>2,750</u>	<u>(20,634)</u>	<u>15,766</u>	<u>(642)</u>	<u>(1)</u>
Cash and investments - ending	<u>\$ 382,496</u>	<u>\$ 53,936</u>	<u>\$ -</u>	<u>\$ 3,079</u>	<u>\$ 6,250</u>	<u>\$ -</u>	<u>\$ 15,766</u>	<u>\$ 1,386</u>	<u>\$ -</u>

PORTER TOWNSHIP SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	CB & T Fidelity Account	HAS Grant	HAS Grant 10/11	HAS Grant 11/12	HAS Grant 12/13	STAA #1575	CS Tech #1601	CS Tech #1637	STAA #1657
Cash and investments - beginning	\$ -	\$ 5,325	\$ 19,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	104	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	(5,325)	5,325	30,279	-	30,900	125,624	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	104	(5,325)	5,325	30,279	-	30,900	125,624	-	-
Disbursements:									
Current:									
Instruction	-	-	22,450	30,279	-	-	-	-	-
Support services	-	-	2,581	-	-	30,900	125,625	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	25,031	30,279	-	30,900	125,625	-	-
Excess (deficiency) of receipts over disbursements	104	(5,325)	(19,706)	-	-	-	(1)	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	1	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	105	(5,325)	(19,706)	-	-	-	(1)	-	-
Cash and investments - ending	\$ 105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)	\$ -	\$ -

PORTER TOWNSHIP SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	CS Tech #1699	CS Tech #1527	ECA Facility Use	ECA Transportation Fee	ECA Drug Testing Fee	Non-English Speaking Programs P.L. 273-1999	Non-English Speaking Programs 12/13	School Technology/ E-Rate	Project Care/Trustee
Cash and investments - beginning	\$ -	\$ (4,494)	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ 42,937	\$ 6,500
Receipts:									
Local sources	-	-	16,965	4,410	(4,190)	-	-	32,615	11,500
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	86,095	-	-	-	960	-	8,220	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	86,095	16,965	4,410	(4,190)	960	-	40,835	11,500
Disbursements:									
Current:									
Instruction	-	-	1,939	10,353	1,775	-	-	-	6,500
Support services	-	81,601	1,500	-	-	960	-	44,720	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	81,601	3,439	10,353	1,775	960	-	44,720	6,500
Excess (deficiency) of receipts over disbursements	-	4,494	13,526	(5,943)	(5,965)	-	-	(3,885)	5,000
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	3,537	8,450	-	-	-	-
Transfers out	-	-	(11,986)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(11,986)	3,537	8,450	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	4,494	1,540	(2,406)	2,485	-	-	(3,885)	5,000
Cash and investments - ending	\$ -	\$ -	\$ 3,040	\$ (2,406)	\$ 2,485	\$ -	\$ -	\$ 39,052	\$ 11,500

PORTER TOWNSHIP SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Senator David Ford Technology	Excess PTRC Distributions	Title I 2010-2011	Title I 2011-2012	Title I 2012-2013	Drug Free Schools	Drug Free Schools 2009	Improving Teaching Quality Title II, Part A
Cash and investments - beginning	\$ -	\$ 27,381	\$ (12,667)	\$ -	\$ -	\$ 735	\$ -	\$ (3,170)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	53,505	59,073	-	-	1,190	4,143
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	53,505	59,073	-	-	1,190	4,143
Disbursements:								
Current:								
Instruction	-	-	47,714	59,015	-	-	-	973
Support services	-	-	991	203	-	1,925	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	48,705	59,218	-	1,925	-	973
Excess (deficiency) of receipts over disbursements	-	-	4,800	(145)	-	(1,925)	1,190	3,170
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	(7,867)	-	-	(1,190)	-
Transfers out	-	-	7,867	-	-	1,190	-	-
Total other financing sources (uses)	-	-	7,867	(7,867)	-	1,190	(1,190)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	12,667	(8,012)	-	(735)	-	3,170
Cash and investments - ending	\$ -	\$ 27,381	\$ -	\$ (8,012)	\$ -	\$ -	\$ -	\$ -

PORTER TOWNSHIP SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Improving Teaching Quality, Title II, Part A FY 2011	Improving Teaching Quality, Title II, Part A FY 2012	Title I - ARRA Stimulus	Special Education - IDEA Part B	Education Jobs	Payroll Clearing Account	Food Service ACH Deposits	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (2,163)	\$ (5,471)	\$ -	\$ -	\$ -	\$ 5,209,647
Receipts:								
Local sources	-	-	-	-	-	-	-	5,982,892
Intermediate sources	-	-	-	-	-	-	-	694
State sources	-	-	-	-	-	-	8,140	9,344,792
Federal sources	37,597	-	4,235	29,430	256,699	-	189,230	636,598
Temporary loans	-	-	-	-	-	-	-	1,411,000
Other	-	-	-	-	-	1,756,041	-	1,771,192
Total receipts	<u>37,597</u>	<u>-</u>	<u>4,235</u>	<u>29,430</u>	<u>256,699</u>	<u>1,756,041</u>	<u>197,370</u>	<u>19,147,168</u>
Disbursements:								
Current:								
Instruction	37,597	-	2,072	20,663	232,938	-	-	6,381,668
Support services	-	-	-	3,296	47,185	-	-	4,822,644
Noninstructional services	-	-	-	-	-	-	-	798,447
Facilities acquisition and construction	-	-	-	-	-	-	-	648,752
Debt services	-	-	-	-	-	-	-	3,523,806
Nonprogrammed charges	-	-	-	-	-	1,756,041	197,370	1,957,657
Total disbursements	<u>37,597</u>	<u>-</u>	<u>2,072</u>	<u>23,959</u>	<u>280,123</u>	<u>1,756,041</u>	<u>197,370</u>	<u>18,132,974</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>2,163</u>	<u>5,471</u>	<u>(23,424)</u>	<u>-</u>	<u>-</u>	<u>1,014,194</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	955
Transfers in	-	-	-	-	-	-	-	22,685
Transfers out	-	-	-	-	-	-	-	(22,684)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>956</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>2,163</u>	<u>5,471</u>	<u>(23,424)</u>	<u>-</u>	<u>-</u>	<u>1,015,150</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,424)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,224,797</u>

PORTER TOWNSHIP SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	BGHS/Complex 2012 Construction
Cash and investments - beginning	\$ 1,180,911	\$ 1,511,300	\$ 65,111	\$ 1,106,036	\$ 851,295	\$ 313,781	\$ 519,947	\$ 172,888	\$ (9,105)
Receipts:									
Local sources	386,255	2,837,249	149,612	1,230,797	1,251,555	32,267	-	6,190	24,167
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	8,515,169	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	476,500	-	-	808,244	184,500	-	-	-	-
Other	-	-	-	415	-	-	-	-	-
Total receipts	<u>9,377,924</u>	<u>2,837,249</u>	<u>149,612</u>	<u>2,039,456</u>	<u>1,436,055</u>	<u>32,267</u>	<u>-</u>	<u>6,190</u>	<u>24,167</u>
Disbursements:									
Current:									
Instruction	6,234,880	-	-	-	-	-	-	1,832	-
Support services	2,304,542	2,500	-	636,322	1,169,811	-	-	-	13,362
Noninstructional services	146,149	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	545,310	-	-	-	-	1,700
Debt services	476,500	2,624,911	133,976	1,050,000	184,500	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>9,162,071</u>	<u>2,627,411</u>	<u>133,976</u>	<u>2,231,632</u>	<u>1,354,311</u>	<u>-</u>	<u>-</u>	<u>1,832</u>	<u>15,062</u>
Excess (deficiency) of receipts over disbursements	<u>215,853</u>	<u>209,838</u>	<u>15,636</u>	<u>(192,176)</u>	<u>81,744</u>	<u>32,267</u>	<u>-</u>	<u>4,358</u>	<u>9,105</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	10,357	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>215,853</u>	<u>209,838</u>	<u>15,636</u>	<u>(181,819)</u>	<u>81,744</u>	<u>32,267</u>	<u>-</u>	<u>4,358</u>	<u>9,105</u>
Cash and investments - ending	<u>\$ 1,396,764</u>	<u>\$ 1,721,138</u>	<u>\$ 80,747</u>	<u>\$ 924,217</u>	<u>\$ 933,039</u>	<u>\$ 346,048</u>	<u>\$ 519,947</u>	<u>\$ 177,246</u>	<u>\$ -</u>

PORTER TOWNSHIP SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	School Lunch	Textbook Rental	Joint Services and Supply Area Vocational School	Educational License Plates	Scholarships Donations	Wellness Grant 10/11	Wellness Grant 11/12	Extra-Curricular Activity Fund	Donations - Counseling
Cash and investments - beginning	\$ 382,496	\$ 53,936	\$ -	\$ 3,079	\$ 6,250	\$ -	\$ 15,766	\$ 1,386	\$ -
Receipts:									
Local sources	632,717	123,511	74,210	-	-	-	4,850	-	-
Intermediate sources	-	-	-	600	-	-	-	-	-
State sources	-	26,351	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>632,717</u>	<u>149,862</u>	<u>74,210</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>4,850</u>	<u>-</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	4,528	-	-	-	-	-	-
Support services	4,290	80,882	-	1,959	-	-	2,050	575	-
Noninstructional services	652,166	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	5,750	-	-	-	-
Total disbursements	<u>656,456</u>	<u>80,882</u>	<u>4,528</u>	<u>1,959</u>	<u>5,750</u>	<u>-</u>	<u>2,050</u>	<u>575</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(23,739)</u>	<u>68,980</u>	<u>69,682</u>	<u>(1,359)</u>	<u>(5,750)</u>	<u>-</u>	<u>2,800</u>	<u>(575)</u>	<u>-</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(23,739)</u>	<u>68,980</u>	<u>69,682</u>	<u>(1,359)</u>	<u>(5,750)</u>	<u>-</u>	<u>2,800</u>	<u>(575)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 358,757</u>	<u>\$ 122,916</u>	<u>\$ 69,682</u>	<u>\$ 1,720</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 18,566</u>	<u>\$ 811</u>	<u>\$ -</u>

PORTER TOWNSHIP SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	CB & T Fidelity Account	HAS Grant	HAS Grant 10/11	HAS Grant 11/12	HAS Grant 12/13	STAA #1575	CS Tech #1601	CS Tech #1637	STAA #1657
Cash and investments - beginning	\$ 105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	31,795	-	18,675	140,600	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	31,795	-	18,675	140,600	-
Disbursements:									
Current:									
Instruction	-	-	-	-	10,995	-	-	-	-
Support services	-	-	-	-	-	-	18,675	140,600	35,460
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	10,995	-	18,675	140,600	35,460
Excess (deficiency) of receipts over disbursements	-	-	-	-	20,800	-	-	-	(35,460)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	20,800	-	-	-	(35,460)
Cash and investments - ending	\$ 105	\$ -	\$ -	\$ -	\$ 20,800	\$ -	\$ (1)	\$ -	\$ (35,460)

PORTER TOWNSHIP SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	CS Tech #1699	CS Tech #1527	ECA Facility Use	ECA Transportation Fee	ECA Drug Testing Fee	Non-English Speaking Programs P.L. 273-1999	Non-English Speaking Programs 12/13	School Technology/ E-Rate	Project Care/Trustee
Cash and investments - beginning	\$ -	\$ -	\$ 3,040	\$ (2,406)	\$ 2,485	\$ -	\$ -	\$ 39,052	\$ 11,500
Receipts:									
Local sources	-	-	1,461	13,761	4,825	-	-	76,162	6,500
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	18,230	-	-	-	-	-	1,508	8,841	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	18,230	-	1,461	13,761	4,825	-	1,508	85,003	6,500
Disbursements:									
Current:									
Instruction	-	-	23	12,652	5,665	-	-	-	9,433
Support services	100,437	-	-	-	-	-	-	15,500	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	100,437	-	23	12,652	5,665	-	-	15,500	9,433
Excess (deficiency) of receipts over disbursements	(82,207)	-	1,438	1,109	(840)	-	1,508	69,503	(2,933)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(82,207)	-	1,438	1,109	(840)	-	1,508	69,503	(2,933)
Cash and investments - ending	\$ (82,207)	\$ -	\$ 4,478	\$ (1,297)	\$ 1,645	\$ -	\$ 1,508	\$ 108,555	\$ 8,567

PORTER TOWNSHIP SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Senator David Ford Technology	Excess PTRC Distributions	Title I 2010-2011	Title I 2011-2012	Title I 2012-2013	Drug Free Schools	Drug Free Schools 2009	Improving Teaching Quality Title II, Part A
Cash and investments - beginning	\$ -	\$ 27,381	\$ -	\$ (8,012)	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	14,282	112,891	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	-	14,282	112,891	-	-	-
Disbursements:								
Current:								
Instruction	11,250	-	-	13,066	123,280	-	-	-
Support services	26,250	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	37,500	-	-	13,066	123,280	-	-	-
Excess (deficiency) of receipts over disbursements	(37,500)	-	-	1,216	(10,389)	-	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(37,500)	-	-	1,216	(10,389)	-	-	-
Cash and investments - ending	\$ (37,500)	\$ 27,381	\$ -	\$ (6,796)	\$ (10,389)	\$ -	\$ -	\$ -

PORTER TOWNSHIP SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Improving Teaching Quality, Title II, Part A FY 2011	Improving Teaching Quality, Title II, Part A FY 2012	Title I - ARRA Stimulus	Special Education - IDEA Part B	Education Jobs	Payroll Clearing Account	Food Service ACH Deposits	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (23,424)	\$ -	\$ -	\$ 6,224,797
Receipts:								
Local sources	-	-	-	-	-	-	-	6,856,089
Intermediate sources	-	-	-	-	-	-	-	600
State sources	-	-	-	-	-	-	9,968	8,771,137
Federal sources	-	9,194	-	-	29,144	-	193,547	359,058
Temporary loans	-	-	-	-	-	-	-	1,469,244
Other	-	-	-	-	-	1,715,947	-	1,716,362
Total receipts	-	9,194	-	-	29,144	1,715,947	203,515	19,172,490
Disbursements:								
Current:								
Instruction	-	-	-	-	5,720	-	-	6,433,324
Support services	-	9,229	-	-	-	-	-	4,562,444
Noninstructional services	-	-	-	-	-	-	-	798,315
Facilities acquisition and construction	-	-	-	-	-	-	-	547,010
Debt services	-	-	-	-	-	-	-	4,469,887
Nonprogrammed charges	-	-	-	-	-	1,715,969	203,515	1,925,234
Total disbursements	-	9,229	-	-	5,720	1,715,969	203,515	18,736,214
Excess (deficiency) of receipts over disbursements	-	(35)	-	-	23,424	(22)	-	436,276
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	10,357
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(35)	-	-	23,424	(22)	-	446,633
Cash and investments - ending	\$ -	\$ (35)	\$ -	\$ -	\$ -	\$ (22)	\$ -	\$ 6,671,430

PORTER TOWNSHIP SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2013

<u>School Corporation</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 544,938</u>	<u>\$ -</u>

PORTER TOWNSHIP SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Capital leases:				
1999 Porter Twp High Sch Building Corp		\$ 1,746,000	06-30-16	06-30-18*
2009 Porter Twp High Sch Bldg Corp Refinance		1,658,000	06-30-09	12-31-15
2012A Porter Twp High Sch Bldg Corp		281,000	06-30-13	12-31-15
2012B Porter Twp High Sch Bldg Corp		<u>280,000</u>	06-30-13	12-31-15
Total of annual lease payments		<u>\$ 3,965,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds:			
1999 Boone Grove MS Improvements		\$ 185,000	\$ 128,093
Pension Service Debt		1,095,000	130,536
Tax anticipation warrants		1,111,000	1,120,000
Revenue bonds:			
Common School Loans		2,774,887	514,010
Veterans Memorial Loans		<u>555,522</u>	<u>59,427</u>
Totals		<u>\$ 5,721,409</u>	<u>\$ 1,952,066</u>

*This lease was amended in 2012. The lease included a provision that the first payment would be delayed until 2016 at which time the lease be paid off.

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PORTER TOWNSHIP SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2013

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
Governmental activities:	
Land	\$ 435,500
Buildings	27,634,841
Improvements other than buildings	1,284,923
Machinery, equipment, and vehicles	4,867,322
 Total capital assets	 \$ 34,222,586

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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 FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Porter Township School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in items 2013-4 and 2013-5 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Eligibility, Special Tests and Provisions regarding Verification of Free and Reduced Price Applications, Equipment Management, and Suspension and Debarment that are applicable to its Child Nutrition Cluster programs. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that cluster.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the period of July 1, 2011 to June 30, 2013.

Unmodified Opinion on the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2011 to June 30, 2013.

Other Matters

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

Report on Internal Control Over Compliance

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

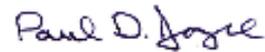
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 2013-3 and 2013-6 to be material weaknesses.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 18, 2013

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.

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PORTER TOWNSHIP SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. Department of Agriculture</u>					
Child Nutrition Cluster	Indiana Department of Education				
School Breakfast Program		10.553		\$ 37,709	\$ 44,447
National School Lunch Program		10.555		<u>191,657</u>	<u>187,961</u>
Total for federal grantor agency				<u>229,366</u>	<u>232,408</u>
<u>U.S. Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	11-6520	20,889	-
			12-6520	91,690	14,282
			13-6520	<u>-</u>	<u>112,891</u>
Total for program				<u>112,579</u>	<u>127,173</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Indiana Department of Education	84.389	10-6520	<u>4,235</u>	<u>-</u>
Total for cluster				<u>116,814</u>	<u>127,173</u>
Special Education Cluster					
ARRA - Special Education-Grants to States, Recovery Act	Porter County Education Services	84.391		<u>29,430</u>	<u>-</u>
Total for cluster				<u>29,430</u>	<u>-</u>
Education Jobs Fund	Indiana Department of Education	84.410		<u>256,699</u>	<u>29,144</u>
Safe and Drug Free Schools and Communities - State Grants	Indiana Department of Education	84.186	09-6520	<u>1,190</u>	<u>-</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	10-6520	4,143	-
			11-6520	37,597	-
			12-6520	<u>-</u>	<u>9,194</u>
Total for program				<u>41,740</u>	<u>9,194</u>
Total for federal grantor agency				<u>475,303</u>	<u>165,511</u>
Total federal awards expended				<u>\$ 675,239</u>	<u>\$ 397,919</u>

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

PORTER TOWNSHIP 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 Porter Township 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. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
National School Lunch Program	10.555	\$ 40,136	\$ 38,861

PORTER TOWNSHIP SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified for the Child Nutrition Cluster and Unmodified for the Education Jobs Fund
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.410	Child Nutrition Cluster Education Jobs Fund

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2013-1 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

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

1. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statement and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and, as a result, has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements.

There was an adjustment of \$252,193 which increased the General Fund and decreased the Debt Service Fund. This was due to the untimely recording of the basic grant and payment of the Veteran and Common School Loans for June 2011 which were reported in the audited financial statement as of June 30, 2011, but which were recorded in the School Corporation's records after June 30, 2011. This same issue was repeated in the draft financial statement as of June 30, 2013, which resulted in the balance of the General Fund being understated and the Debt Service Fund being overstated. Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement as presented in this report.

The School Corporation files semiannual reports with the Indiana Department of Education. These reports are used to comply with Indiana Code 5-11-1-4 and to compile the School Corporation's financial statement. No review is performed prior to the submission of these reports.

2. **Correction of Errors:** Effective internal controls over financial reporting would identify errors that could affect financial reporting, allow officials to correct the errors in a timely manner, and allow for adequate communications between the administration and governing board.

The School Corporation records negative receipts or disbursements to make corrections. Some errors were not detected until after the close of the fiscal year causing some accounts to report negative activity. In addition, adjustments were not presented to the School Board for approval.

3. **Monitoring of Controls:** Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls.

4. **The failure of the School Board to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.**

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)

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

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

***FINDING 2013-2 - INTERNAL CONTROLS AND COMPLIANCE
OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

The School Corporation initially reported federal expenditures of \$454,572 and \$151,295 for the years ended June 30, 2012 and 2013, respectively. Audit adjustments to the SEFA increased federal expenditures reported by \$180,530 for June 30, 2012, and \$207,763 for June 30, 2013, respectively. The School Corporation failed to include reimbursements for programs in the Child Nutrition Cluster. Under the current system, the Business Manager/Treasurer independently prepares the SEFA for inclusion in the financial report without an oversight or approval process.

In failing to establish controls to effectively identify and report federal financial assistance, the School Corporation materially misrepresented the federal assistance expended for the fiscal years ending June 30, 2012 and 2013. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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)

OMB Circular A-133, Subpart C, section. 300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

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

OMB Circular A-133, Subpart C, section. 310(b) states in part:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available . . ."

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE CHILD NUTRITION CLUSTER PROGRAMS

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012, FY 2013
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect on the programs. This includes the compliance requirements for Allowable Activities, Special Tests and Provisions (School Food Accounts, Paid Lunch Equity, and Verification of Free and Reduced Price Applications), Reporting, Eligibility, Equipment and Real Property Management, Procurement and Suspension and Debarment, and Program Income. The failure to establish an effective internal control system places the School Corporation at risk for noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

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

Allowable Activities:

The School Corporation has not designed or implemented adequate policies and procedures to ensure that all purchases from the School Lunch Fund were for allowable activities or were for the operation or improvement of food services. The School Lunch Director prepared all claims for disbursements; the High School Principal and Secretary signed the checks. The claim form requires approval by the principal and superintendent prior to payment; however, no documentation was provided that indicated that claims were reviewed or approved prior to payment.

School Food Accounts:

There was also no oversight or review of school lunch activity that was maintained in a separate account. The School Lunch Director maintained separate ledgers and a bank account for the school lunch activity. The School Lunch Director took the collections to the bank, posted the collections in the ledgers, and performed the monthly bank reconcilements. There was no oversight or review of the monthly reconcilements or of the deposits to daily collections reports. The Business Manager/Treasurer did review the food service ledgers and bank activity for inclusion in the semiannual financial reports which were submitted to the IDOE.

Paid Lunch Equity:

The School Corporation does not have effective policies and procedures in place to ensure compliance with paid lunch equity requirements. The Food Service Director is solely responsible for determining how to meet the paid lunch equity requirements. There is no segregation of duties, including an oversight or review process.

Reporting:

The School Corporation has not designed or implemented adequate policies and procedures to ensure that all reimbursement requests and reports are accurately prepared and timely submitted. The Food Service Director was solely responsible for preparing and submitting all required reports including the reimbursement requests. There is no segregation of duties, such as an oversight or approval process.

Eligibility and Verification of Free and Reduced Price Applications:

The School Corporation has not designed or implemented adequate policies and procedures to ensure that student's eligibility for free and reduced price lunches is properly determined or that the applications for free and reduced price lunches are verified in compliance with the program requirements. The Food Service Director is solely responsible for the eligibility determinations. The High School Cafeteria Manager was solely responsible for the verifications. An oversight or review process has not been established to ensure correct eligibility determinations or proper verification of the applications.

Equipment and Real Property Management:

The School Corporation has not designed or implemented adequate policies or procedures to account for and safeguard assets, including those purchased with federal funds. The School Corporation engages a consultant to perform a physical inventory and prepare a capital asset report every two years. The additions of capital assets are compiled by the School Corporation officials. There is not an adequate oversight or review process to ensure the accuracy of the capital asset report. In addition, a system does not exist to provide separate identification for items acquired with federal and non-federal funds.

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

Procurement and Suspension and Debarment:

The School Corporation relies on a consultant from a purchasing cooperative to perform procurement activities and to verify compliance with suspension and debarment requirements for the purchase of bread and milk/dairy products. The Food Service Director evaluates the consultant's recommended vendors for bread and milk/dairy products based on product availability and past performance. Upon the Director's approval, the cooperative board approves the winning awards. Procurement of a third party purchasing service for other food products, materials and supplies is approved by the cooperative board. The local School Corporation did not oversee or approve the Director's decisions or the consultant's responsibilities.

Program Income:

The School Corporation does not have effective policies and procedures in place to ensure compliance with program income requirements. Each school cashier is responsible for collecting sales receipts, preparing the deposit slips, and ensuring that the collections agree to the daily summary reports. There is no indication at Boone Grove Elementary and Middle School that the daily collections are reviewed or verified with the deposit slips or daily summary reports, or that the correct lunch prices were charged to meet the paid lunch equity requirement.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

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

FINDING 2013-4 - NONCOMPLIANCE WITH ELIGIBILITY AND VERIFICATION REQUIREMENTS OF THE CHILD NUTRITION CLUSTER PROGRAMS

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY2012, FY 2013
Pass-Through Entity: Indiana Department of Education

The School Corporation did not fully comply with the Eligibility requirement which includes the verification of free and reduced price meal applications for the School Breakfast and National School Lunch programs.

1. The household income on 10 percent of the applications for free and reduced price meals tested was calculated incorrectly. 25 percent of these resulted in students receiving benefits for which they were not entitled.
2. The School Corporation was required to verify 3 percent of the income based applications received. Household income for five of the eight applications verified was calculated incorrectly which resulted in students receiving benefits for which they were not entitled. Three applications which qualified for reduced price meals but were incorrectly considered eligible for free meals; another application was considered eligible for reduced price meals but should have been denied. In addition, one applicant provided documentation of income prior to the date of the application.

7 CFR 245.6(c)(4) states:

"Calculating income. The local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in §245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in §245.2, the children in that household must be approved for free or reduced price benefits, as applicable."

7 CFR 245.10(a) states in part:

- "(1) The official or officials designated by the local educational agency to make eligibility determinations on its behalf for free and reduced price meals or for free milk;
- (2) An assurance that for children who are not categorically eligible for free and reduced price benefits the local educational agency will determine eligibility for free and reduced price meals or free milk in accordance with the current Income Eligibility Guidelines."

7 CFR 245.6a(e) states in part:

"Activities prior to household notification—(1) Confirmation of a household's initial eligibility. (i) Prior to conducting any other verification activity, an individual, other than the individual who made the initial eligibility determination, shall review for accuracy each approved application selected for verification to ensure that the initial determination was correct. If the initial determination was correct, the local educational agency shall verify the approved application. If the initial determination was incorrect, the local educational agency must:

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

(A) If the eligibility status changes from reduced price to free, make the increased benefits immediately available and notify the household of the change in benefits; the local educational agency will then verify the application;

(B) If the eligibility status changes from free to reduced price, first verify the application and then notify the household of the correct eligibility status after verification is completed and, if required, send the household a notice of adverse action in accordance with paragraph (j) of this section; or

(C) If the eligibility status changes from free or reduced price to paid, send the household a notice of adverse action in accordance with paragraph (j) of this section and do not conduct verification on this application and select a similar application (for example, another error-prone application) to replace it."

7 CFR 245.6a(f)(7) states:

"Eligibility changes. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Households with reduced benefits or that are longer eligible for free or reduced price meals must be notified of their right to reapply at any time with documentation of income or participation in one of the eligible programs in paragraph (a)(1) of this section."

Failure to properly verify the eligibility determinations could allow inaccurate determinations or determination based on incorrect data to go undetected.

We recommended that the School Corporation confirm accurate calculations on applications for free and reduced price lunches, including those that were selected for income verification, to ensure that only those eligible receive benefits.

FINDING 2013-5 NONCOMPLIANCE WITH EQUIPMENT AND SUSPENSION AND DEBARMENT REQUIREMENTS OF THE CHILD NUTRITION CLUSTER PROGRAMS

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Years: FY 2012, FY 2013

Pass-Through Entity: Indiana Department of Education

The School Corporation purchased several items of equipment from the School Lunch Fund. These purchases did not comply with the Equipment and Suspension and Debarment requirements.

Equipment:

The School Corporation failed to include all applicable equipment purchases from the School Lunch Fund in their capital asset records. The School Corporation's policy states that all equipment purchases over \$5,000 are to be listed on the capital asset records. Purchases over \$5,000 from the School Lunch Fund included ovens, freezers, steamers, and a skillet braising pan; however, these items were not added to the

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

capital asset records. Items that were replaced with the new equipment were not deleted from the capital asset report. In addition, no system exists to provide separate identification for items acquired with federal and nonfederal funds. Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

7 CFR 3016.32 states in part:

"(b) States. A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . .

(d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. . . .

(e) Disposition. When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:

- (1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.
- (2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment."

Suspension and Debarment:

The School Lunch Director was not familiar with the suspension and debarment requirements of the grant; therefore, no one ensured that the vendors used for the equipment purchases had not been suspended or debarred. In accordance with federal guidelines, the School Corporation is prohibited from giving federal grant dollars to parties who have been suspended or debarred from doing business with the federal government. Such parties are listed on the System of Award Manager (SAM) Center at www.sam.gov that is maintained by the Federal Government.

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

7 CFR 3016.35 states:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, 'Debarment and Suspension.'"

Failure to verify whether vendors are suspended or debarred places the School Corporation at risk of providing federal funds to ineligible vendors, which would ultimately put future grant awards to the School Corporation at risk.

We recommended that School Corporation officials ensure that accurate detailed capital asset records are maintained, and that any assets acquired with federal funds are designated as such. We also recommended that officials verify that vendors are not suspended or debarred or otherwise excluded from participation in federal assistance programs.

FINDING 2013-6 - INTERNAL CONTROLS OVER REPORTING - EDUCATION JOBS FUND

Federal Agency: U.S. Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Year: FY 2012
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system for submitting accurate Education Jobs Fund reports. The School Corporation had no procedures in place to verify that the quarterly reports or the requests for reimbursement were accurate. The Business Manager/Treasurer was solely responsible for preparing and submitting all required reports. There was no segregation of duties, such as an oversight or approval process.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

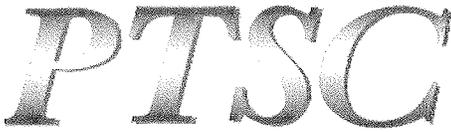
An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by ensuring proper oversight, reviews, and approvals take place and having a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the reporting requirements that have a direct and material effect on the grant program.



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Office of the Superintendent
STACEY M. SCHMIDT, Ph.D.
Superintendent

ALINE BUSSE
Business Manager/Treasurer

LINDA BULT
Deputy Treasurer

December 18, 2013
Section II – Financial Statement Findings

Finding 2013-1 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

To make sure that the Veteran Memorial and Common School payments from the Debt Service Fund to the General Fund get paid in a timely manner, we shall transfer these funds in a monthly manner.

The Business Manager will be more attentive to the month end reporting for receipts and disbursements. If an error is caught prior to closing month end, the error will be corrected in the month it occurred. If an error is found after the month is closed, a correction will be made when the error is found. Every precaution will be taken to assure that the funds are not misstated.

An adjustment was made in the general fund, charging all buildings an equal share, to balance the fund report with the bank reconciliation. This error occurred prior to the last audit, and the business manager was informed that if the same amount carried over for 6 or more months, that an adjustment should be done to bring the bank and books in order. The business manager made the adjustment but did not know that she was supposed to take this to the Board for approval. This directive was not given.

The business manager will discuss month end reports with Dr. Stacey Schmidt or Mrs. Linda Bult. Either Dr. Schmidt or Mrs. Bult will approve and sign the month end report.

Signed: *Aline Busse*
Aline Busse
Business Manager/ Treasurer

Date: *12/18/2013*



Porter Township School Corporation

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Office of the Superintendent
STACEY M. SCHMIDT, Ph.D.
Superintendent

ALINE BUSSE
Business Manager/Treasurer

LINDA BULT
Deputy Treasurer

December 18, 2013
Section II – Financial Statement Findings

Finding 2013-2 – INTERNAL CONTROLS AND COMPLIANCE OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

It has been established that the School Lunch Director will send supporting documentation to the business manager for all federal reimbursement requests. This documentation will be matched to the monthly ACH payments received in the corporation checking account.

Signed: *Aline Busse*
Aline Busse
Business Manager/Treasurer

Date: *12/18/13*



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Superintendent

ALINE BUSSE
Business Manager/Treasurer

LINDA BULT
Deputy Treasurer

December 18, 2013

Section III - Federal Award Findings and Questioned Costs

Finding 2013-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE CHILD NUTRITION CLUSTER PROGRAMS

Federal Agency: U.S. Department of Agriculture
Federal Program: Child Nutrition Cluster
CFDA Number: 10.553 and 10.555
Federal Award Number: FY 2012, FY 2013
Pass-Through Entity: Indiana Department of Education

Allowable Activities:

In the past, the School Lunch program has acted as a separate entity and been solely run by the director. It has now been established that the School Lunch program will be more responsible to following the same procedures for purchasing equipment as all other departments in the school corporation. The director shall prepare a requisition with proper documentation and present to the building principal for signature. The building principal shall then send the requisition to the superintendent for signature before any major purchases may be ordered. The requisition will then be processed in the central office with a purchase order. A signed copy of the purchase order showing receipt of equipment will be forwarded to the central office. The central office will then forward all proper paperwork to the Facility Administrative Assistant for recording and addition to the corporation asset program. Any equipment removal will also be forwarded to the Facility Administrative Assistant for deletion in the asset program. All assets are assigned and recorded with a numbered bar tag.

The School Lunch Director will prepare the claim for equipment payment and present to the high school treasurer for payment. The high school food service manager will verify by initial or signature that a claim is prepared properly before presentation for payment. Each claim for payment will have proper documentation attached to show what was purchased and the amount payable.

School Food Accounts:

The School Lunch Director makes all deposits to the bank. Each building food service manager prepares the daily deposit ticket and delivers the funds to the School Lunch Director. Each building manager should be requiring that their cashier count the daily receipts and initial or sign a cash deposit slip for that day's count. The manager should then re-count the daily amount and initial or sign the daily deposit slip. With two individuals counting the money separately, the ability for errors should be eliminated. The Director posts all receipts and expenditures on a spread sheet created for her by the corporation business manager. The corporation business manager will verify the food service receipts and expenditures monthly when she goes to the director's office and performs the bank reconciliation.

Paid Lunch Equity:

The School Lunch Director does discuss lunch price requirements with the corporation cabinet. She will present costs and suggestions annually. The corporation cabinet is made up of the Superintendent, Principals, and corporation Department Heads. This past year the increase in lunch prices was driven by the State of Indiana issuing a letter requiring specific prices per meals. All lunch prices are approved by the Board of School Trustees.

Reporting:

The School Lunch Director will have assistance from the High School Manager in filling out reimbursement requests. The High School Manager will initial that the numbers have been discussed and verified by her. Copies of the reimbursement requests and verifying documentation will be sent to the corporation business manager as the reports are filed.

Eligibility and Verifications:

The Superintendent Secretary shall now be responsible for collecting all free and reduced applications and process to determine eligibility. The Data Warehouse Director shall verify information and income. The Business Manager will verify the required percentage of applications. The Data Warehouse director will be responsible for entering the students' free/reduced information in the students' files.

Equipment and Real Property Management:

The purchase and deletion of School Lunch equipment will be recorded through the Facility Administrative Assistant as stated earlier above. The Facility Administrative Assistant is responsible for maintaining the corporation asset software. All equipment purchased with federal funds will now be noted as well.

Procurement; Suspension and Debarment:

The School Lunch program purchases bread and dairy products from a purchasing cooperative. The School Lunch Director did not verify the compliance of vendors with suspension and debarment requirements. The Director relied on the cooperative to do this verification. In the future, the School Lunch Director will verify all vendors are in compliance. She will either have on file documentation that she verified on line or from the purchasing cooperative.

Program Income:

Each building manager should require that their cashier count the daily receipts and initial or sign the daily summary reports for that day's count. The manager should then re-count the daily amount and initial or sign the daily summary report and then prepare the daily deposit slip. With two individuals counting the money separately and verifying the numbers on the daily summary report, the ability for errors should be eliminated.

Signed: Aline Busse
Aline Busse
Business Manager/Treasurer

Signed: Melja Spicer
Melja Spicer
School Lunch Director

Date: 12/18/18

Date: 12-17-18



Porter Township School Corporation

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Office of the Superintendent
STACEY M. SCHMIDT, Ph.D.
Superintendent

ALINE BUSSE
Business Manager/Treasurer

LINDA BULT
Deputy Treasurer

December 18, 2013
Section III - Federal Award Findings and Questioned Costs

Finding 2013-4 – NONCOMPLIANCE WITH ELIGIBILITY AND VERIFICATION REQUIREMENTS OF THE CHILD NUTRITION CLUSTER PROGRAMS

Federal Agency: U.S. Department of Agriculture
Federal Program: School Breakfast Program and National School Lunch Program
CFDA Number: 10.553 and 10.555
Federal Award Number: FY 2012, FY 2013
Pass-Through Entity: Indiana Department of Education

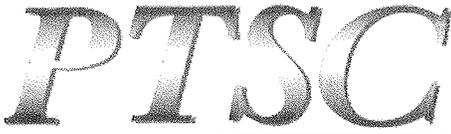
The Superintendent Secretary shall now be responsible for collecting all free and reduced applications and process to determine eligibility. The Data Warehouse Director shall verify information and income. The Business Manager will verify the required percentage of applications. The Data Warehouse director will be responsible for entering the students' free/reduced information in the students' files.

Signed: *Aline Busse*
Aline Busse
Business Manager/Treasurer

Signed: *Melia Spicer*
Melia Spicer
School Lunch Director

Date: 12/18/13

Date: 12-17-13



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Superintendent

ALINE BUSSE
Business Manager/Treasurer

LINDA BULT
Deputy Treasurer

December 18, 2013

Section III - Federal Award Findings and Questioned Costs

Finding 2013-5 – NONCOMPLIANCE WITH EQUIPMENT AND SUSPENSION AND DEBARMENT REQUIREMENTS OF THE CHILD NUTRITION CLUSTER PROGRAMS

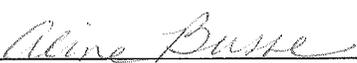
Federal Agency: U.S. Department of Agriculture
Federal Program: Child Nutrition Cluster
CFDA Number: 10.553 and 10.555
Federal Award Number: FY 2012, FY 2013
Pass-Through Entity: Indiana Department of Education

Equipment:

In the past, the School Lunch program has acted as a separate entity and been solely run by the director. It has now been established that the School Lunch program will be more responsible to following the same procedures for purchasing equipment as all other departments in the school corporation. The director shall prepare a requisition with proper documentation and present to the building principal for signature. The building principal shall then send the requisition to the superintendent for signature before any major purchases may be ordered. The requisition will then be processed in the central office with a purchase order. A signed copy of the purchase order showing receipt of equipment will be forwarded to the central office. The central office will then forward all proper paperwork to the Facility Administrative Assistant for recording and addition to the corporation asset program. Any equipment removal will also be forwarded to the Facility Administrative Assistant for deletion in the asset program. All assets are assigned and recorded with a numbered bar tag.

Suspension and Debarment:

The School Lunch Director will verify a vendor has not been suspended or debarred from doing business with the federal government before she issues a requisition to purchase equipment or supplies. The verification will be done through www.sam.gov. Verification will be placed in a file in the office of the director. A copy of the verification should also be placed with the claim for payment.

Signed: 
Aline Busse
Business Manager/Treasurer

Signed: 
Melia Spicer
School Lunch Director

Date: 12/18/13

Date: 12-17-13



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Superintendent

ALINE BUSSE
Business Manager/Treasurer

LINDA BULT
Deputy Treasurer

December 18, 2013

Section III - Federal Award Findings and Questioned Costs

Finding 2013-6 – INTERNAL CONTROLS OVER REPORTING – EDUCATION JOBS FUNDS

Federal Agency: Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Number and Year: FY 2012
Pass-Through Entity: Indiana Department of Education

The school corporation maintains internal controls over all funds regarding receipts and expenditures. Segregation of duties is very well maintained. All monthly, quarterly and final reports are completed using the month-end, quarter-end or history reports produced through our financial software reporting system. All expenditures, revenue and balances on the grant reports are reconciled to the accounting reports. A copy of all back-up documentation is maintained in the grant file. All reports are submitted electronically or as directed in the grant documentation. The business manager prepares all required information for each quarterly or final report. It has been pointed out that these quarterly and final reports should have been verified and approved after the business manager prepared the reports. The Business Manager will now go over all quarterly or final report with the deputy treasurer or the superintendent of schools. The deputy treasurer or the superintendent of schools will initial or sign that the quarterly and final reports are prepared properly.

Signed: Aline Busse
Aline Busse
Business Manager/Treasurer

Date: 12/18/13

PORTER TOWNSHIP SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2013, with Aline Busse, Business Manager/Treasurer; Stacey Schmidt, Superintendent of Schools; and John Spangenberg, President of the School Board. Our audit disclosed no material items that warrant comment at this time.