

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
PULASKI COUNTY, INDIANA

July 1, 2011 to June 30, 2013



**FILED**  
03/14/2014



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Treasurer	David Thompson	07-01-11 to 10-24-13
	(Vacant)	10-25-13 to 10-27-13
	Steve Kain (Interim)	10-28-13 to 12-08-13
	Angela Anspach	12-09-13 to 06-30-14
Superintendent of Schools	Dr. Robert J. Klitzman	07-01-11 to 06-30-13
	Dan L. Foster	07-01-13 to 06-30-14
President of the School Board	Larry Beach	07-01-10 to 12-31-11
	Michael Tetzloff	01-01-12 to 12-31-13
	Joe Cunningham	01-01-14 to 12-31-14



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE EASTERN PULASKI COMMUNITY SCHOOL  
CORPORATION, PULASKI COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Eastern Pulaski Community 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 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. The basis of accounting noted above is a different basis than that used in the prior period.

***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 February 11, 2014, 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, 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

February 11, 2014



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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 EASTERN PULASKI COMMUNITY SCHOOL  
CORPORATION, PULASKI 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 Eastern Pulaski Community School Corporation (School Corporation), which comprise 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 February 11, 2014, 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 2013-001, 2013-002, and 2013-003 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 Cost as items 2013-002 and 2013-003.

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

February 11, 2014

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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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EASTERN PULAKSI COMMUNITY 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	\$ 17,625	\$ 8,147,542	\$ 7,981,045	\$ (159)	\$ 183,963	\$ 8,168,734	\$ 8,066,286	\$ 6,152	\$ 292,563
Debt Service	399,102	917,464	886,265	-	430,301	897,817	888,500	-	439,618
Retirement/Severance Bond Debt Service	156,475	276,323	297,110	-	135,688	309,375	298,055	-	147,008
Capital Projects	5,160,216	866,615	922,721	-	5,104,110	1,215,274	866,732	-	5,452,652
School Transportation	743,451	823,499	699,622	-	867,328	851,806	716,001	-	1,003,133
School Bus Replacement	655,003	258,664	168,332	-	745,335	129,602	196,675	-	678,262
Rainy Day	1,471,616	-	-	-	1,471,616	-	-	-	1,471,616
Post-Retirement/Severance Future Benefits	209,567	176	29,348	-	180,395	-	41,765	-	138,630
Construction	64,640	-	-	-	64,640	-	-	-	64,640
School Lunch	141,228	499,094	478,609	-	161,713	561,898	502,441	-	221,170
Textbook Rental	176,259	109,797	170,307	-	115,749	117,502	63,550	-	169,701
Levy Excess	-	9,344	-	-	9,344	-	-	-	9,344
Medicare Recaptured	-	16,571	2,794	-	13,777	4,968	9,217	(6,152)	3,376
Educational License Plates	1,853	243	599	-	1,497	207	139	-	1,565
Early Intervention Grant	-	9,009	8,452	-	557	-	425	-	132
Grand Piano	-	41,400	35,699	-	5,701	-	5,701	-	-
Linda Braun Foundation	-	22,000	22,000	-	-	-	-	-	-
Ipad Insurance	-	-	-	-	-	5,000	-	-	5,000
Northwest Evaluation Association	-	-	-	-	-	3,900	-	-	3,900
Instruction Support	6,762	196	696	-	6,262	24,931	22,834	-	8,359
Indiana Virtual Academy	200	200	-	-	400	250	-	-	650
Scholarships and Awards	28,962	106	1,000	-	28,068	64	-	-	28,132
Reading Specialist - Pace	180,064	15,000	30,623	27,916	192,357	15,000	8,746	-	198,611
Indiana Next	125	-	-	-	125	-	-	-	125
Gifted and Talented 2010-2011	1,713	-	1,713	-	-	-	-	-	-
Gifted and Talented 2011-2012	-	28,932	28,932	-	-	-	-	-	-
Gifted and Talented 2012-2013	-	-	-	-	-	28,752	22,295	-	6,457
Non-English Speaking Programs P.L. 273-1999	303	-	-	-	303	-	-	-	303
School Technology	45,980	17,715	14,737	-	48,958	15,324	12,793	-	51,489
Miscellaneous Programs	2,157	-	95	-	2,062	-	500	-	1,562
Special Services	58,019	978	1,031	-	57,966	324	421	-	57,869
Title One 2010-2011	(1,924)	46,883	35,239	(9,720)	-	-	-	-	-
Title One 2011-2012	-	145,389	173,285	9,720	(18,176)	40,422	22,246	-	-
Title One 2012-2013	-	-	-	-	-	156,162	210,241	-	(54,079)
Safe and Drug Free 2009-2010	(159)	-	-	159	-	-	-	-	-
After School Child Care	900	5,083	557	-	5,426	4,908	445	-	9,889
Special Ed Improvement Award	-	-	-	-	-	-	8,263	-	(8,263)
Title II Improving Instruction 2010-2011	(7,223)	-	(7,223)	-	-	-	-	-	-
Title II Improving Instruction 2011-2012	-	12,940	25,472	(26,144)	(38,676)	38,676	-	-	-
Title II Improving Instruction 2012-2013	-	-	-	-	-	51,471	51,471	-	-
Reading First 2010-2011	16,675	7,850	22,753	(1,772)	-	-	-	-	-
Education Jobs	-	210,359	269,168	-	(58,809)	64,305	5,496	-	-
Totals	\$ 9,529,589	\$ 12,489,372	\$ 12,300,981	\$ -	\$ 9,717,980	\$ 12,706,672	\$ 12,021,238	\$ -	\$ 10,403,414

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

EASTERN PULASKI COMMUNITY 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 basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

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

State sources 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.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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 may 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.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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 may include the following:

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 February 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.

EASTERN PULASKI COMMUNITY 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 Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

**B. Teachers' Retirement Fund**

*Plan Description*

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

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

Indiana Public Retirement System  
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 the correction of errors from prior periods. The errors made in the prior period were corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative receipt/disbursement was shown in the current period.

**Note 8. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9.  *Holding Corporation***

The School Corporation has entered into a capital lease with Eastern Pulaski Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2011-2012 and 2012-2013 totaled \$880,000 and \$880,000, respectively.

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## 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.

EASTERN PULAKSI COMMUNITY 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	Post Retirement/ Severance Future Benefits	Construction
Cash and investments - beginning	\$ 17,625	\$ 399,102	\$ 156,475	\$ 5,160,216	\$ 743,451	\$ 655,003	\$ 1,471,616	\$ 209,567	\$ 64,640
Receipts:									
Local sources	39,171	917,464	276,323	787,544	823,223	258,664	-	176	-
Intermediate sources	541	-	-	-	-	-	-	-	-
State sources	8,107,819	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	11	-	-	79,071	276	-	-	-	-
Total receipts	<u>8,147,542</u>	<u>917,464</u>	<u>276,323</u>	<u>866,615</u>	<u>823,499</u>	<u>258,664</u>	<u>-</u>	<u>176</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	6,014,828	-	-	-	-	-	-	-	-
Support services	1,854,037	-	-	535,100	306,159	-	-	29,348	-
Noninstructional services	43,402	-	-	-	-	-	-	-	-
Facilities acquisition and construction	68,778	-	-	387,621	393,463	168,332	-	-	-
Debt services	-	886,265	297,110	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>7,981,045</u>	<u>886,265</u>	<u>297,110</u>	<u>922,721</u>	<u>699,622</u>	<u>168,332</u>	<u>-</u>	<u>29,348</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>166,497</u>	<u>31,199</u>	<u>(20,787)</u>	<u>(56,106)</u>	<u>123,877</u>	<u>90,332</u>	<u>-</u>	<u>(29,172)</u>	<u>-</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(159)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(159)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>166,338</u>	<u>31,199</u>	<u>(20,787)</u>	<u>(56,106)</u>	<u>123,877</u>	<u>90,332</u>	<u>-</u>	<u>(29,172)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 183,963</u>	<u>\$ 430,301</u>	<u>\$ 135,688</u>	<u>\$ 5,104,110</u>	<u>\$ 867,328</u>	<u>\$ 745,335</u>	<u>\$ 1,471,616</u>	<u>\$ 180,395</u>	<u>\$ 64,640</u>

EASTERN PULAKSI COMMUNITY 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	Levy Excess	Medicare Recaptured	Educational License Plates	Early Intervention Grant	Grand Piano	Linda Braun Foundation	Ipad Insurance
Cash and investments - beginning	\$ 141,228	\$ 176,259	\$ -	\$ -	\$ 1,853	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	241,814	60,721	9,344	16,571	-	-	41,400	22,000	-
Intermediate sources	-	-	-	-	243	-	-	-	-
State sources	8,403	46,315	-	-	-	-	-	-	-
Federal sources	248,877	-	-	-	-	9,009	-	-	-
Other	-	2,761	-	-	-	-	-	-	-
Total receipts	499,094	109,797	9,344	16,571	243	9,009	41,400	22,000	-
Disbursements:									
Current:									
Instruction	-	-	-	2,794	599	-	35,699	22,000	-
Support services	4,422	170,307	-	-	-	8,452	-	-	-
Noninstructional services	256,997	-	-	-	-	-	-	-	-
Facilities acquisition and construction	217,190	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	478,609	170,307	-	2,794	599	8,452	35,699	22,000	-
Excess (deficiency) of receipts over disbursements	20,485	(60,510)	9,344	13,777	(356)	557	5,701	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	20,485	(60,510)	9,344	13,777	(356)	557	5,701	-	-
Cash and investments - ending	\$ 161,713	\$ 115,749	\$ 9,344	\$ 13,777	\$ 1,497	\$ 557	\$ 5,701	\$ -	\$ -

EASTERN PULAKSI COMMUNITY 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)

	Northwest Evaluation Association	Instruction Support	Indiana Virtual Academy	Scholarships and Awards	Reading Specialist - Pace	Indiana Next	Gifted and Talented 2010-2011	Gifted and Talented 2011-2012	Gifted and Talented 2012-2013
Cash and investments - beginning	\$ -	\$ 6,762	\$ 200	\$ 28,962	\$ 180,064	\$ 125	\$ 1,713	\$ -	\$ -
Receipts:									
Local sources	-	196	200	106	15,000	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	28,932	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	196	200	106	15,000	-	-	28,932	-
Disbursements:									
Current:									
Instruction	-	600	-	-	19,782	-	1,713	28,932	-
Support services	-	96	-	1,000	10,841	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	696	-	1,000	30,623	-	1,713	28,932	-
Excess (deficiency) of receipts over disbursements	-	(500)	200	(894)	(15,623)	-	(1,713)	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	27,916	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	27,916	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(500)	200	(894)	12,293	-	(1,713)	-	-
Cash and investments - ending	\$ -	\$ 6,262	\$ 400	\$ 28,068	\$ 192,357	\$ 125	\$ -	\$ -	\$ -

EASTERN PULAKSI COMMUNITY 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)

	Non-English Speaking Programs P.L. 273-1999	School Technology	Miscellaneous Programs	Special Services	Title One 2010-2011	Title One 2011-2012	Title One 2012-2013	Safe and Drug Free 2009-2010
Cash and investments - beginning	\$ 303	\$ 45,980	\$ 2,157	\$ 58,019	\$ (1,924)	\$ -	\$ -	\$ (159)
Receipts:								
Local sources	-	12,290	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	5,425	-	-	-	-	-	-
Federal sources	-	-	-	978	46,883	145,389	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	17,715	-	978	46,883	145,389	-	-
Disbursements:								
Current:								
Instruction	-	-	-	-	19,205	87,371	-	-
Support services	-	14,737	95	1,031	15,462	61,117	-	-
Noninstructional services	-	-	-	-	572	-	-	-
Facilities acquisition and construction	-	-	-	-	-	855	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	23,942	-	-
Total disbursements	-	14,737	95	1,031	35,239	173,285	-	-
Excess (deficiency) of receipts over disbursements	-	2,978	(95)	(53)	11,644	(27,896)	-	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	9,720	-	159
Transfers out	-	-	-	-	(9,720)	-	-	-
Total other financing sources (uses)	-	-	-	-	(9,720)	9,720	-	159
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,978	(95)	(53)	1,924	(18,176)	-	159
Cash and investments - ending	\$ 303	\$ 48,958	\$ 2,062	\$ 57,966	\$ -	\$ (18,176)	\$ -	\$ -

EASTERN PULAKSI COMMUNITY 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)

	After School Child Care	Special Ed Improvement Award	Title II Improving Instruction 2010-2011	Title II Improving Instruction 2011-2012	Title II Improving Instruction 2012-2013	Reading First 2010-2011	Education Jobs	Totals
Cash and investments - beginning	\$ 900	\$ -	\$ (7,223)	\$ -	\$ -	\$ 16,675	\$ -	\$ 9,529,589
Receipts:								
Local sources	5,083	-	-	-	-	2,000	-	3,529,290
Intermediate sources	-	-	-	-	-	-	-	784
State sources	-	-	-	-	-	-	-	8,196,894
Federal sources	-	-	-	12,940	-	5,850	210,359	680,285
Other	-	-	-	-	-	-	-	82,119
Total receipts	5,083	-	-	12,940	-	7,850	210,359	12,489,372
Disbursements:								
Current:								
Instruction	-	-	(7,223)	25,472	-	7,747	269,168	6,528,687
Support services	-	-	-	-	-	15,006	-	3,027,210
Noninstructional services	305	-	-	-	-	-	-	301,276
Facilities acquisition and construction	252	-	-	-	-	-	-	1,236,491
Debt services	-	-	-	-	-	-	-	1,183,375
Nonprogrammed charges	-	-	-	-	-	-	-	23,942
Total disbursements	557	-	(7,223)	25,472	-	22,753	269,168	12,300,981
Excess (deficiency) of receipts over disbursements	4,526	-	7,223	(12,532)	-	(14,903)	(58,809)	188,391
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	37,795
Transfers out	-	-	-	(26,144)	-	(1,772)	-	(37,795)
Total other financing sources (uses)	-	-	-	(26,144)	-	(1,772)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,526	-	7,223	(38,676)	-	(16,675)	(58,809)	188,391
Cash and investments - ending	\$ 5,426	\$ -	\$ -	\$ (38,676)	\$ -	\$ -	\$ (58,809)	\$ 9,717,980

EASTERN PULAKSI COMMUNITY 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	Post Retirement/ Severance Future Benefits	Construction
Cash and investments - beginning	\$ 183,963	\$ 430,301	\$ 135,688	\$ 5,104,110	\$ 867,328	\$ 745,335	\$ 1,471,616	\$ 180,395	\$ 64,640
Receipts:									
Local sources	42,225	897,817	309,375	1,200,592	842,924	129,602	-	-	-
Intermediate sources	541	-	-	-	-	-	-	-	-
State sources	8,125,968	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	14,682	8,882	-	-	-	-
Total receipts	8,168,734	897,817	309,375	1,215,274	851,806	129,602	-	-	-
Disbursements:									
Current:									
Instruction	6,060,865	-	-	-	-	-	-	-	-
Support services	1,903,572	-	-	553,310	716,001	196,675	-	41,765	-
Noninstructional services	101,849	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	313,422	-	-	-	-	-
Debt services	-	888,500	298,055	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	8,066,286	888,500	298,055	866,732	716,001	196,675	-	41,765	-
Excess (deficiency) of receipts over disbursements	102,448	9,317	11,320	348,542	135,805	(67,073)	-	(41,765)	-
Other financing sources (uses):									
Transfers in	6,152	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	6,152	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	108,600	9,317	11,320	348,542	135,805	(67,073)	-	(41,765)	-
Cash and investments - ending	\$ 292,563	\$ 439,618	\$ 147,008	\$ 5,452,652	\$ 1,003,133	\$ 678,262	\$ 1,471,616	\$ 138,630	\$ 64,640

EASTERN PULAKSI COMMUNITY 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	Levy Excess	Medicare Recaptured	Educational License Plates	Early Intervention Grant	Grand Piano	Linda Braun Foundation	Ipad Insurance
Cash and investments - beginning	\$ 161,713	\$ 115,749	\$ 9,344	\$ 13,777	\$ 1,497	\$ 557	\$ 5,701	\$ -	\$ -
Receipts:									
Local sources	245,173	70,527	-	4,968	-	-	-	-	5,000
Intermediate sources	-	-	-	-	207	-	-	-	-
State sources	8,555	46,275	-	-	-	-	-	-	-
Federal sources	308,170	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	700	-	-	-	-	-	-	-
Total receipts	561,898	117,502	-	4,968	207	-	-	-	5,000
Disbursements:									
Current:									
Instruction	-	-	-	9,217	139	-	5,701	-	-
Support services	2,657	63,550	-	-	-	425	-	-	-
Noninstructional services	499,716	-	-	-	-	-	-	-	-
Facilities acquisition and construction	45	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	23	-	-	-	-	-	-	-	-
Total disbursements	502,441	63,550	-	9,217	139	425	5,701	-	-
Excess (deficiency) of receipts over disbursements	59,457	53,952	-	(4,249)	68	(425)	(5,701)	-	5,000
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(6,152)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(6,152)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	59,457	53,952	-	(10,401)	68	(425)	(5,701)	-	5,000
Cash and investments - ending	\$ 221,170	\$ 169,701	\$ 9,344	\$ 3,376	\$ 1,565	\$ 132	\$ -	\$ -	\$ 5,000

EASTERN PULAKSI COMMUNITY 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)

	Northwest Evaluation Association	Instruction Support	Indiana Virtual Academy	Scholarships and Awards	Reading Specialist - Pace	Indiana Next	Gifted and Talented 2010-2011	Gifted and Talented 2011-2012	Gifted and Talented 2012-2013
Cash and investments - beginning	\$ -	\$ 6,262	\$ 400	\$ 28,068	\$ 192,357	\$ 125	\$ -	\$ -	\$ -
Receipts:									
Local sources	3,900	24,931	250	64	15,000	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	28,752
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>3,900</u>	<u>24,931</u>	<u>250</u>	<u>64</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,752</u>
Disbursements:									
Current:									
Instruction	-	19,778	-	-	(500)	-	-	-	22,295
Support services	-	3,056	-	-	9,246	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>22,834</u>	<u>-</u>	<u>-</u>	<u>8,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,295</u>
Excess (deficiency) of receipts over disbursements	<u>3,900</u>	<u>2,097</u>	<u>250</u>	<u>64</u>	<u>6,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,457</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,900</u>	<u>2,097</u>	<u>250</u>	<u>64</u>	<u>6,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,457</u>
Cash and investments - ending	<u>\$ 3,900</u>	<u>\$ 8,359</u>	<u>\$ 650</u>	<u>\$ 28,132</u>	<u>\$ 198,611</u>	<u>\$ 125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,457</u>

EASTERN PULAKSI COMMUNITY 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)

	Non-English Speaking Programs P.L. 273-1999	School Technology	Miscellaneous Programs	Special Services	Title One 2010-2011	Title One 2011-2012	Title One 2012-2013	Safe and Drug Free 2009-2010
Cash and investments - beginning	\$ 303	\$ 48,958	\$ 2,062	\$ 57,966	\$ -	\$ (18,176)	\$ -	\$ -
Receipts:								
Local sources	-	11,409	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	3,915	-	-	-	-	-	-
Federal sources	-	-	-	324	-	40,422	156,162	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	15,324	-	324	-	40,422	156,162	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	16,970	174,880	-
Support services	-	12,793	500	421	-	5,276	8,799	-
Noninstructional services	-	-	-	-	-	-	1,881	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	24,681	-
Total disbursements	-	12,793	500	421	-	22,246	210,241	-
Excess (deficiency) of receipts over disbursements	-	2,531	(500)	(97)	-	18,176	(54,079)	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,531	(500)	(97)	-	18,176	(54,079)	-
Cash and investments - ending	\$ 303	\$ 51,489	\$ 1,562	\$ 57,869	\$ -	\$ -	\$ (54,079)	\$ -

EASTERN PULAKSI COMMUNITY 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)

	After School Child Care	Special Ed Improvement Award	Title II Improving Instruction 2010-2011	Title II Improving Instruction 2011-2012	Title II Improving Instruction 2012-2013	Reading First 2010-2011	Education Jobs	Totals
Cash and investments - beginning	\$ 5,426	\$ -	\$ -	\$ (38,676)	\$ -	\$ -	\$ (58,809)	\$ 9,717,980
Receipts:								
Local sources	4,908	-	-	-	-	-	-	3,808,665
Intermediate sources	-	-	-	-	-	-	-	748
State sources	-	-	-	-	-	-	-	8,213,465
Federal sources	-	-	-	38,676	51,471	-	64,305	659,530
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	24,264
Total receipts	<u>4,908</u>	<u>-</u>	<u>-</u>	<u>38,676</u>	<u>51,471</u>	<u>-</u>	<u>64,305</u>	<u>12,706,672</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	51,471	-	5,496	6,366,312
Support services	-	8,263	-	-	-	-	-	3,526,309
Noninstructional services	445	-	-	-	-	-	-	603,891
Facilities acquisition and construction	-	-	-	-	-	-	-	313,467
Debt services	-	-	-	-	-	-	-	1,186,555
Nonprogrammed charges	-	-	-	-	-	-	-	24,704
Total disbursements	<u>445</u>	<u>8,263</u>	<u>-</u>	<u>-</u>	<u>51,471</u>	<u>-</u>	<u>5,496</u>	<u>12,021,238</u>
Excess (deficiency) of receipts over disbursements	<u>4,463</u>	<u>(8,263)</u>	<u>-</u>	<u>38,676</u>	<u>-</u>	<u>-</u>	<u>58,809</u>	<u>685,434</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	6,152
Transfers out	-	-	-	-	-	-	-	(6,152)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>4,463</u>	<u>(8,263)</u>	<u>-</u>	<u>38,676</u>	<u>-</u>	<u>-</u>	<u>58,809</u>	<u>685,434</u>
Cash and investments - ending	<u>\$ 9,889</u>	<u>\$ (8,263)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,403,414</u>

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**TEXTBOOK RENTAL**

The School Corporation charges a flat rate per student for textbook rental and fees. The Administration and School Board have approved the book rental rate and fee charges at a flat rate for each of the past 17 school years. Documentation was not presented for audit to establish the retail price and age of each textbook rented by each student in order to determine compliance with Indiana statutes. A similar comment appeared in prior Report B40014.

Indiana Code 20-26-12-2 states in part:

"(a) A governing body may purchase from a publisher, any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students . . . The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of curricular materials that have been:

- (1) extended for usage by students under section 24(e) of this chapter; and
- (2) paid for through rental fees previously collected."

**SUPPORTING DOCUMENTATION**

We noted the following disbursements did not include the documentation necessary to support the purchase.

Date	Amount	Payee	Description of Purchase
08-09-11	\$ 876.90	Keybank Visa	DVD - Resource Material, Postage, Batteries - HVAC, Tables
03-12-12	1,660.20	Netwise Resources LLC	Copier Agreement/Repairs
04-10-12	148.97	School Specialty/Classroom Direct	Classroom Supplies
04-10-12	187.67	School Specialty/Classroom Direct	Classroom Supplies
09-11-12	<u>738.50</u>	Aunt Millies Bakeries	Cafe Supplies
Total	<u>\$ 3,612.24</u>		

Due to the lack of supporting documentation, we could not verify the purpose of the disbursement.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were not presented for the audit period.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

***CONDITION OF RECORDS***

Financial records presented for audit were incomplete and not reflective of the activity of the funds.

Some of the deficiencies include:

1. Posting errors.
2. Checks and receipts not recorded in the proper amounts.
3. Transactions recorded as "negative" receipts and disbursements.

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

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE EASTERN PULASKI COMMUNITY SCHOOL  
CORPORATION, PULASKI COUNTY, INDIANA

***Report on Compliance for Each Major Federal Program***

We have audited the Eastern Pulaski Community 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.

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

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-004, 2013-005, and 2013-008. Our opinion on each major federal program is not modified with respect to these matters.

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

***Report on Internal Control Over Compliance***

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

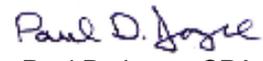
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses 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 2013-004, 2013-005, 2013-006, 2013-007, and 2013-008, 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

February 11, 2014

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2012 and 2013

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 24,964	\$ 31,668
National School Lunch Program	10.555		267,838	320,220
Total for cluster			292,802	351,888
Total for federal grantor agency			292,802	351,888
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title 1, Part A Cluster				
Title 1, Grants to Local Educational Agencies	84.010	11-6620	46,883	-
		12-6620	155,109	40,422
		13-6620	-	156,162
Total for cluster			201,992	196,584
Reading First State Grants	84.357	FY 2010-2011	5,850	-
Improving Teacher Quality State Grants	84.367	FY 2011-2012	12,940	38,676
		FY 2012-2013	-	51,471
Total for program			12,940	90,147
Education Jobs Fund	84.410		210,359	64,305
Total for federal grantor agency			431,141	351,036
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Department of Health and Human Services				
Cooperative Agreements to Support Comprehensive School to Support Comprehensive				
School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	FY 2012-2013	-	450
Total federal awards expended			\$ 723,943	\$ 703,374

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

EASTERN PULASKI COMMUNITY 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 Eastern Pulaski Community 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
School Breakfast Program	10.553	\$ 3,745	\$ 3,930
National School Lunch Program	10.555	40,180	39,768



EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Of the 106 vendor disbursements tested, 5 did not contain the supporting documentation necessary to allow for an adequate review and/or approval by the School Board or department head.

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)

***FINDING 2013-002 - INTERNAL CONTROLS OVER PREPARATION OF SCHEDULE OF EXPEDITURES 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.

During the audit of the SEFA, we noted the following errors: School lunch commodities were not added into the total for the National School Lunch Program; Title I Grants to Local Educational Agencies expenditures included expenditures that were not reimbursed; and the Reading First State Grants included Education Jobs Fund's money. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. There 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."

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

"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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2013-003 - INTERNAL CONTROLS OVER FINANCIAL  
TRANSACTIONS AND REPORTING - CASH AND INVESTMENTS***

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

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to cash and investment balances. Control activities should be selected and developed at various levels of the reconciliation of cash and investment balances to reduce risks to the achievement of financial reporting objectives. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Reconciliations of the record cash and investment balance to the depository cash and investment balance were not performed during the audit period.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2013-004 - INTERNAL CONTROL AND  
NONCOMPLIANCE - SPECIAL TESTS AND PROVISIONS**

Federal Agency: U.S. Department of Agriculture  
Federal Program: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Year: SY 2011-2012 & SY 2012-2013  
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 Special Tests and Provisions of the National School Lunch Program. These controls have a direct and material effect to the program. A lack of sufficient controls over this compliance requirement resulted in the School Corporation not meeting the Paid Lunch Equity compliance requirement.

The federal reimbursement rate for free students is \$2.59 per meal. The Paid Lunch Equity requirement states that a school must charge at least the reimbursement rate for paid children for their school lunches. For the school years of 2011-2012 and 2012-2013, the School Corporation charged \$1.50 for a paid lunch which is \$1.09 less than the required federal reimbursement rate.

7 CFR 210.14(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) Calculation procedures. Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section.
- (2) Average paid lunch price is equal to/greater than the reimbursement difference. When the average paid lunch price from the prior school year is equal to or greater than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average paid lunch price for the current school year that is not less than the difference identified in (e)(1)(iii) of this section; except that, the school food authority may use the procedure in paragraph (e)(4)(ii) of this section when establishing prices of paid lunches.
- (3) Average lunch price is lower than the reimbursement difference. When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:
- (i) 2 percent; and
  - (ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the *Federal Register* announcing the national average payment rates, from the prior year."

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."

Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that the School Corporation implement procedures to ensure compliance with the Paid Lunch Equity requirement of this program.

***FINDING 2013-005 - INTERNAL CONTROL ANDNONCOMPLIANCE - ALLOWABLE COSTS***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: School Breakfast Program and National School Lunch Program  
CFDA Numbers: 10.553 and 10.555  
Federal Award Year: SY 2011-2012 & SY 2012-2013  
Pass-Through Entity: Indiana Department of Education

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the Allowable Costs provisions of the programs. These controls have a direct and material effect to the program. A lack of sufficient controls over this compliance requirement resulted in the School Corporation expending school lunch funds for expenses outside the scope of the program.

Of the 60 claims tested, 3 claims were paid that were not allowable expenses of the programs.

These claims included termite inspection for the entire Elementary school building for \$2,272, maintenance parts for High School projectors for \$35, and bug inspection in the tunnel (not a part of the cafeteria) for \$50.

7 CFR 210.14(a) states in part:

**"Nonprofit school food service.** School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings."

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."

Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that the School Corporation implement procedures to ensure that expenditures comply with the allowable costs principals for the federal program.

***FINDING 2013-006 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: School Breakfast Program and National School Lunch Program  
CFDA Numbers: 10.553 and 10.555  
Federal Award Year: SY 2011-2012 & SY 2012-2013  
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 some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Cash Management, Eligibility, and Reporting. 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 program.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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, 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. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to 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 to the program.

***FINDING 2013-007 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO TITLE I, PART A CLUSTER***

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 11-6620, 12-6620, 13-6620

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 of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Activities, Allowable Costs, Eligibility, Level of Effort, Period of Availability and Reporting. 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 program.

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, 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.

EASTERN PULASKI COMMUNITY 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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to 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 to the program.

***FINDING 2013-008 - INTERNAL CONTROL/NONCOMPLIANCE -  
HIGHLY QUALIFIED PARAPROFESSIONALS FOR TITLE I, PART A CLUSTER***

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 11-6620, 12-6620, 13-6620

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to compliance with the "Highly Qualified Paraprofessional" Special Test and Provision of the Title I Grants to Local Educational Agencies (Title I). Lack of proper controls over this provision led to the School Corporation hiring paraprofessional staff that do not meet the professional standards required by the grant agreement. These controls have a direct and material effect to the program.

The funds of the Title I program may be used to compensate both teachers and paraprofessional staff to work with the students to accomplish the goals of the program. The No Child Left Behind Act requires that all teachers and paraprofessionals paid with program funds meet the standard of "highly qualified" as defined in the Code of Federal Regulations (CFR), Title 34, Section 200.58(c).

The School Corporation paid eight paraprofessionals and one certified teacher with Title I grant funds. Personnel files for the certified teacher and all the paraprofessionals were reviewed to determine if they met the standard of "highly qualified" as defined in the CFR. One paraprofessional did not meet the compliance requirement.

34 CFR 200.58(c) and (d) states:

"(c) *New paraprofessionals.* A paraprofessional covered under paragraph (a) of this section who is hired after January 8, 2002 must have—

- (1) Completed at least two years of study at an institution of higher education;\
- (2) Obtained an associate's or higher degree; or

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (3) (i) Met a rigorous standard of quality, and can demonstrate—through a formal State or local academic assessment—knowledge of, and the ability to assist in instructing, as appropriate—
- (A) Reading/language arts, writing, and mathematics; or
  - (B) Reading readiness, writing readiness, and mathematics readiness.
- (iii) A secondary school diploma or its recognized equivalent is necessary, but not sufficient, to meet the requirement in paragraph (c)(3)(i) of this section.

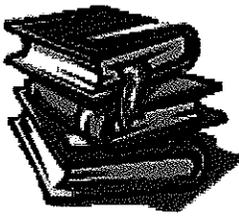
(d) *Existing paraprofessionals.* Each paraprofessional who was hired on or before January 8, 2002 must meet the requirements in paragraph (c) of this section no later than January 8, 2006."

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."

Failure to comply with this requirement could result in the School Corporation losing federal funds.

We recommended that the School Corporation implement control procedures which would include an appropriate review of all applicants credentials to insure they possess the minimum professional requirements necessary to meet the "highly qualified" standards of the Title I program prior to their hiring.



# EASTERN PULASKI COMMUNITY SCHOOL

711 School Drive  
Winamac, IN 46996

Phone: 574-946-4010  
Fax: 574-946-4510

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

1. **FINDING NUMBER 2011-1**

**Original SBA Audit Report Number:**

**B40014**

**Fiscal Year**

**June 30, 2011**

**Auditee Contact Person**

**Diana Lowry Hanselman**

**Title of Contact Person**

**Deputy Treasurer/HR**

**Phone Number**

**574-946-4010**

**Status of Finding:**

**Corrected with documented hiring**





# EASTERN PULASKI COMMUNITY SCHOOL CORPORATION

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Excellence in Education is an Expectation!

## CORRECTIVE ACTION PLAN

### Section II – Financial Statement Findings

#### FINDING 2013 – 001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING – DISBURSEMENTS

Control activities are now in place at various levels of the claims process to reduce risks to the achievement of financial reporting objectives. The Superintendent, Business Manager/Treasurer, Assistant Treasurer, and governing body or department head look over and verify all claims before being presented for payment. Also, controls over the receipting, disbursing, recording and accounting of all the financial activities are in place whereby the Business Manager/Treasurer and Assistant Treasurer work together to verify work to minimize errors. The Business Manager/Treasurer and Assistant Treasurer will work together to ensure the internal control system is effective.

#### FINDING 2013 – 002 – INTERNAL CONTROLS OVER PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Eastern Pulaski Community School Corporation now has internal controls in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Business Manager/Treasurer has taken steps to establish a checklist for the preparation of the SEFA to ensure accurate reporting of federal awards to minimize errors. Because of the checklist, school lunch commodities are now added to the total for School Lunch. Title I expenditures will now include all expenditures reimbursed, and the Reading First Grant will include only Reading First Grant money. By using the checklist system internal controls are in place to 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. Appropriate financial statements will include the Schedule of Expenditures of Federal Awards in accordance with section .310 for the period covered by our financial statements. A list of individual Federal programs by Federal agency will be established, including, but not limited to, Federal programs in a cluster of programs. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity will be included. The total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available will be recorded. Notes that describe the significant accounting policies used in preparing the schedule will be included. Pass-through entities in the schedule will identify the total amount provided to



subrecipients from each Federal program. The schedule will include the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end.

#### FINDING 2013-0003 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING – CASH AND INVESTMENTS

Due to new personnel, control activities are now in place at various levels of the reconciliation process to reduce the risk of the achievement of financial reporting objectives. We have now separated incompatible activities related to cash and investment balances. Reconciliations of the record balance to the depository balance are now being performed on a regular basis. The Business Manager/Treasurer and Assistant Treasurer will work together to ensure the internal control system is effective.

#### FINDING 2013 – 0004 – INTERNAL CONTROL AND NONCOMPLIANCE – SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Department of Agriculture

Federal Program: Child Nutrition Cluster

CFDA Number: 10.555

Federal Award Number and Year (or Other Identifying Number): SY 2011-2012 & SY 2012-2013  
Pass-Through Entity: Indiana Department of Education

Eastern Pulaski Community School Corporation established an increment increase in student school lunch fees beginning with the 2013-2014 School Year. For the 2013-2014 School, lunch fees were increased .10 and will continue to be increased until the Federal Reimbursement Rate is met. Eastern Pulaski Community School Corporation cares about the students, parents, and families in our district, therefore making incremental increases gradually to decrease the hardship on families financially. Determining the average price of paid lunches will be done each year. Eastern Pulaski Community School Corporation will implement procedures to ensure we are in compliance with the fund equity requirement of this grant.

#### FINDING 2013 – 0005 – INTERNAL CONTROL AND COMPLIANCE ALLOWABLE COSTS – CHILD NUTRITION CLUSTER

Federal Agency: U.S. Department of Agriculture

Federal Program: Child Nutrition Cluster

CFDA Number: 10.555

Federal Award Number and Year (or Other Identifying Number): SY 2011-2012 & SY 2012-2013

Pass-Through Entity: Indiana Department of Education

Eastern Pulaski Community School Corporation now has internal controls in place which includes segregation of duties related to the Allowable Costs provisions of the Child Nutrition Cluster. This control will reduce or eliminate expending school lunch funds for expenses outside the scope of the program. The Business Manager/Treasurer has taken steps to establish a checklist to minimize errors. By using the checklist system internal controls are in place to 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.

FINDING 2013 – 0006 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD NUTRITION CLUSTER

Federal Agency: U.S. Department of Agriculture  
Federal Program: Child Nutrition Cluster  
CFDA Number: 10.555  
Federal Award Number and Year (or Other Identifying Number): SY 2011-2012 & 2012-2013  
Pass-Through Entity: Indiana Department of Education

Eastern Pulaski Community School Corporation now has internal controls over Federal Programs in place to prevent or detect and correct errors related to the grant agreement and all of the compliance requirements that have a direct and material effect on the program to be in compliance with the grant agreement and the compliance requirements. The Business Manager/Treasurer has taken steps to establish a checklist to prevent noncompliance with the grant agreement. The segregation of duties will be done and will ensure that an individual or small group of individual will not be in a position to initiate, approve, undertake, and review the same activity.

FINDING 2013 – 0007 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO TITLE 1, PART A CLUSTER

Federal Agency: U.S. Department of Education  
Federal Program: Title I, Part A Cluster  
CFDA Number: 84.010  
Federal Award Number and Year (or Other Identifying Number): 11-6620, 13-6620  
Pass-Through Entity: Indiana Department of Education

Eastern Pulaski Community School Corporation now has internal controls in place related to the grant agreement and all the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Activities, Allowable Costs, Eligibility, Level of Effort, Period of Availability,

and Reporting. The Business Manager/Treasurer has taken steps to establish a checklist to prevent noncompliance with the grant agreement. A segregation of duties will be established to internal controls so noncompliance will be detected.

FINDING 2013 – 0008 – INTERNAL CONTROL/NONCOMPLIANCE – HIGHLY QUALIFIED PARAPROFESSIONALS FOR TITLE I, PART A CLUSTER

Federal Agency: U.S. Department of Education

Federal Program: Title I, Part A Cluster

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 11-6620 & 13-6620

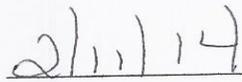
Pass-Through Entity: Indiana Department of Education

The Business Manager/Treasurer has taken steps to establish a checklist to prevent noncompliance with the grant agreement to ensure compliance with the “Highly Qualified Paraprofessional” special provision of the Title I Program. We have a checklist in place whereby newly hired personnel (certified and non-certified) are documented as “Highly Qualified” as well as any employee transferred into the Title I position is also documented to meet the Title I standard of “Highly Qualified.” The one paraprofessional staff member identified as not meeting the “Highly Qualified Paraprofessional” special provision of the Title I program for the reporting period has retired and the staff member hired to replace the retired individual is “Highly Qualified.”

NOTE:

1. The Business Manager/Treasurer and Assistant Treasurer will work together to ensure the proper internal control systems are in place and effective in all aspects related to all financial transactions and reporting.
2. The superintendent and business manager/treasurer for the reporting period July 1, 2009 to June 30, 2011, are no longer with Eastern Pulaski Community School Corporation.

  
\_\_\_\_\_  
Angela Anspach, Business Manager/Treasurer

  
\_\_\_\_\_  
Date

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2014, with Angela Anspach, Business Manager/Treasurer; Diana Hanselman, Assistant Treasurer; Dan L. Foster, Superintendent of Schools; and Joe Cunningham, President of the School Board.