

**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, 2013 to June 30, 2015



**FILED**  
10/07/2016



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	David Thompson (Vacant) Steve Kain (interim) Angela Anspach	07-01-13 to 10-24-13 10-25-13 to 10-27-13 10-28-13 to 12-31-13 01-01-14 to 06-30-17
Superintendent of Schools	Dan L. Foster	07-01-13 to 06-30-17
President of the School Board	Michael Tetzloff Joe Cunningham	01-01-13 to 12-31-13 01-01-14 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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 were engaged to audit the accompanying financial statement of the Eastern Pulaski Community School Corporation, which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

***Basis for Disclaimer of Opinion***

The School Corporation did not maintain adequate accounting records to provide sufficient information for the preparation of the basic financial statement. The School Corporation's accounting records were not reconciled with the depository balances. As a result, the unreconciled records do not permit the application of other auditing procedures to ascertain if the financial statement is fairly stated.

***Disclaimer of Opinion***

Because of the significance of the matter discussed in the *Basis for Disclaimer of Opinion* paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on this financial statement.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Matters**

*Supplementary Information*


Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraph and because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated August 11, 2016, 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.

  
Paul D. Joyce, CPA  
State Examiner

August 11, 2016



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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 were engaged to 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, the financial statement of the Eastern Pulaski Community School Corporation, which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated August 11, 2016, 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. Because of the significance of the School Corporation's accounting records which were inadequate to provide sufficient information for the preparation of the basic financial statement, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on this financial statement.

**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 2015-001 and 2015-002 to be material weaknesses.

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

**Compliance and Other Matters**

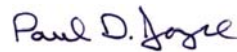
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002.

**Eastern Pulaski Community School Corporation's Response to Findings**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

August 11, 2016



#### FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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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, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 292,563	\$ 8,155,650	\$ 7,432,186	\$ -	\$ 1,016,027	\$ 8,675,091	\$ 8,023,054	\$ 8,263	\$ 1,676,327
Debt Service	439,618	892,109	880,000	-	451,727	945,085	1,073,398	-	323,414
Retirement/Severance Bond Debt Service	147,008	193,478	298,334	-	42,152	393,653	447,933	-	(12,128)
Capital Projects	5,452,652	621,657	996,936	-	5,077,373	297,897	1,921,995	-	3,453,275
School Transportation	1,003,133	971,439	654,975	-	1,319,597	993,062	696,038	-	1,616,621
School Bus Replacement	678,262	31,014	-	-	709,276	24,706	323,962	-	410,020
Post Retirement Severance Benefits	-	103,178	-	-	103,178	-	-	-	103,178
Rainy Day	1,471,616	-	-	-	1,471,616	-	-	-	1,471,616
Post-Retirement/Severance Future Benefits	138,630	-	35,776	-	102,854	-	28,330	-	74,524
Construction	64,640	-	-	-	64,640	-	64,640	-	-
Infrastructure and Technology	-	-	-	-	-	-	29,167	995,000	965,833
School Lunch	221,170	485,934	498,573	-	208,531	291,093	506,329	-	(6,705)
Textbook Rental	169,701	108,657	96,040	50	182,368	118,253	138,271	(150)	162,200
Levy Excess	9,344	-	-	-	9,344	-	-	-	9,344
Joint Services and Supply - Special Education Cooperative	-	5,303	4,572	-	731	5,124	-	-	5,855
Joint Services and Supply - Other	3,376	-	-	-	3,376	-	-	-	3,376
Educational License Plates	1,565	300	534	-	1,331	225	-	-	1,556
Early Intervention Grant	132	-	-	-	132	-	-	-	132
Pulaski Community Foundation Grant	-	-	-	-	-	500	500	-	-
I Pad Insurance	5,000	17,190	10,858	(50)	11,282	24,777	15,345	410	21,124
Northwestern Evaluation Association	3,900	-	3,750	-	150	-	150	-	-
Archery Program	-	-	-	-	-	1,000	-	-	1,000
Family Literacy Night	-	-	-	-	-	600	600	-	-
Instructional Support	8,359	293	309	-	8,343	242	-	-	8,585
Indiana Virtual Academy	650	-	-	-	650	-	-	-	650
Scholarships and Awards	28,132	107	1,000	-	27,239	42	-	-	27,281
Miscellaneous Programs	-	16,000	9,580	-	6,420	18,200	2,002	-	22,618
Reading Specialist - Pace	198,611	-	60,550	-	138,061	-	19,126	-	118,935
Indiana Next	125	-	-	-	125	-	-	-	125
Gifted and Talented 2012-2013	6,457	-	6,457	-	-	-	-	-	-
Gifted and Talented 2013-2014	-	28,679	11,154	-	17,525	28,737	34,543	(3,214)	8,505
Secured Schools Safety Grant	-	17,915	27,289	-	(9,374)	-	19,806	-	(29,180)
Non-English Speaking Programs P.L. 273-1999	303	-	-	-	303	-	-	-	303
School Technology	51,489	12,263	17,363	-	46,389	5,409	25,240	-	26,558
Mentor Teachers	1,562	-	1,335	-	227	-	-	-	227
Special Services	57,869	-	6,448	-	51,421	-	300	-	51,121
Title One 2012-2013	(54,079)	94,347	40,268	-	-	-	-	-	-
Title One 2013-2014	-	31,941	147,015	-	(115,074)	155,810	35,584	-	5,152
Title One 2014-2015	-	-	-	-	-	187,478	139,408	-	48,070
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	67,927	67,927	-	-	-	-	-	-
Education for Economic Security	9,889	7,907	811	-	16,985	15,068	1,230	(115)	30,708
Technology Related Assistance for Individuals With Disabilities	(8,263)	-	(8,263)	-	-	-	-	-	-
Education Jobs	-	-	72	-	(72)	-	-	-	(72)
Prepaid School Lunch	7,483	242,745	242,074	-	8,154	247,522	264	-	255,412
Payroll Clearing	99,213	1,834,696	1,907,665	-	26,244	2,188,254	2,218,583	-	(4,085)
Totals	\$ 10,510,110	\$ 13,940,729	\$ 13,451,588	\$ -	\$ 10,999,251	\$ 14,617,828	\$ 15,765,798	\$ 1,000,194	\$ 10,851,475

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, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation.

**B. Basis of Accounting**

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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

**C. Cash and Investments**

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

**D. Receipts**

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

Local sources, 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.

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

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

Federal sources, which 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.

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

*E. Disbursements*

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

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

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

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

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

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

Nonprogrammed charges, which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

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

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.

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

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

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**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.

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

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

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

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of some funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2014 or 2015. The Retirement/Severance Bond Debt Service fund had a negative cash balance at June 30, 2015, due to expenditures exceeding revenues. The School Lunch fund had a negative cash balance at June 30, 2015, because proper transfers of the Prepaid School Lunch fund were not made.

**Note 8. Holding Corporation**

The School Corporation 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 fiscal years 2013-2014 and 2014-2015 totaled \$880,000 and \$880,000, respectively.



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

**Note 9. Subsequent Events**

In the fall of 2015, the School Corporation entered into a capital lease with Eastern Pulaski Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing renovations and improvements to the facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments ranging from \$270,000 to \$564,000 will be made semi-annually by the School Corporation, beginning June 30, 2016, and ending December 31, 2034.

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#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the 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 other 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, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Post Retirement Severance Benefits	Rainy Day	Post- Retirement/ Severance Future Benefits	Construction
Cash and investments - beginning	\$ 292,563	\$ 439,618	\$ 147,008	\$ 5,452,652	\$ 1,003,133	\$ 678,262	\$ -	\$ 1,471,616	\$ 138,630	\$ 64,640
Receipts:										
Local sources	123,131	892,109	193,478	621,207	970,787	31,014	-	-	-	-
Intermediate sources	294	-	-	-	-	-	-	-	-	-
State sources	8,032,100	-	-	-	-	-	103,178	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	125	-	-	450	652	-	-	-	-	-
Total receipts	8,155,650	892,109	193,478	621,657	971,439	31,014	103,178	-	-	-
Disbursements:										
Instruction	5,499,691	-	-	-	-	-	-	-	-	-
Support services	1,838,134	-	-	612,754	654,975	-	-	-	35,776	-
Noninstructional services	94,361	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	384,182	-	-	-	-	-	-
Debt services	-	880,000	298,334	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	7,432,186	880,000	298,334	996,936	654,975	-	-	-	35,776	-
Excess (deficiency) of receipts over disbursements	723,464	12,109	(104,856)	(375,279)	316,464	31,014	103,178	-	(35,776)	-
Other financing sources (uses):										
Transfers in	39,257	-	-	-	-	-	-	-	-	-
Transfers out	(39,257)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	723,464	12,109	(104,856)	(375,279)	316,464	31,014	103,178	-	(35,776)	-
Cash and investments - ending	\$ 1,016,027	\$ 451,727	\$ 42,152	\$ 5,077,373	\$ 1,319,597	\$ 709,276	\$ 103,178	\$ 1,471,616	\$ 102,854	\$ 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, 2014  
 (Continued)

	Infrastructure and Technology	School Lunch	Textbook Rental	Levy Excess	Joint Services and Supply - Special Education Cooperative	Joint Services and Supply - Other	Educational License Plates	Early Intervention Grant	Pulaski Community Foundation Grant
Cash and investments - beginning	\$ -	\$ 221,170	\$ 169,701	\$ 9,344	\$ -	\$ 3,376	\$ 1,565	\$ 132	\$ -
Receipts:									
Local sources	-	252,016	67,286	-	5,303	-	-	-	-
Intermediate sources	-	-	-	-	-	-	300	-	-
State sources	-	9,057	39,049	-	-	-	-	-	-
Federal sources	-	224,861	-	-	-	-	-	-	-
Other receipts	-	-	2,322	-	-	-	-	-	-
Total receipts	-	485,934	108,657	-	5,303	-	300	-	-
Disbursements:									
Instruction	-	-	-	-	4,572	-	534	-	-
Support services	-	32,094	96,015	-	-	-	-	-	-
Noninstructional services	-	466,479	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	25	-	-	-	-	-	-
Total disbursements	-	498,573	96,040	-	4,572	-	534	-	-
Excess (deficiency) of receipts over disbursements	-	(12,639)	12,617	-	731	-	(234)	-	-
Other financing sources (uses):									
Transfers in	-	-	50	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	50	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(12,639)	12,667	-	731	-	(234)	-	-
Cash and investments - ending	\$ -	\$ 208,531	\$ 182,368	\$ 9,344	\$ 731	\$ 3,376	\$ 1,331	\$ 132	\$ -

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, 2014  
 (Continued)

	I Pad Insurance	Northwestern Evaluation Association	Archery Program	Family Literacy Night	Instructional Support	Indiana Virtual Academy	Scholarships and Awards	Miscellaneous Programs	Reading Specialist Pace
Cash and investments - beginning	\$ 5,000	\$ 3,900	\$ -	\$ -	\$ 8,359	\$ 650	\$ 28,132	\$ -	\$ 198,611
Receipts:									
Local sources	17,190	-	-	-	293	-	107	-	-
Intermediate sources	-	-	-	-	-	-	-	16,000	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	17,190	-	-	-	293	-	107	16,000	-
Disbursements:									
Instruction	-	-	-	-	309	-	-	9,580	40,957
Support services	10,858	3,750	-	-	-	-	1,000	-	19,593
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	10,858	3,750	-	-	309	-	1,000	9,580	60,550
Excess (deficiency) of receipts over disbursements	6,332	(3,750)	-	-	(16)	-	(893)	6,420	(60,550)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(50)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(50)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,282	(3,750)	-	-	(16)	-	(893)	6,420	(60,550)
Cash and investments - ending	\$ 11,282	\$ 150	\$ -	\$ -	\$ 8,343	\$ 650	\$ 27,239	\$ 6,420	\$ 138,061

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, 2014  
 (Continued)

	Indiana Next	Gifted and Talented 2012-2013	Gifted and Talented 2013-2014	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Mentor Teachers	Special Services	Title One 2012-2013
Cash and investments - beginning	\$ 125	\$ 6,457	\$ -	\$ -	\$ 303	\$ 51,489	\$ 1,562	\$ 57,869	\$ (54,079)
Receipts:									
Local sources	-	-	-	-	-	6,906	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	28,679	17,915	-	5,357	-	-	-
Federal sources	-	-	-	-	-	-	-	-	94,347
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	28,679	17,915	-	12,263	-	-	94,347
Disbursements:									
Instruction	-	6,457	11,154	-	-	-	-	-	30,766
Support services	-	-	-	27,289	-	17,363	1,335	6,448	9,404
Noninstructional services	-	-	-	-	-	-	-	-	98
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	6,457	11,154	27,289	-	17,363	1,335	6,448	40,268
Excess (deficiency) of receipts over disbursements	-	(6,457)	17,525	(9,374)	-	(5,100)	(1,335)	(6,448)	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	-	(6,457)	17,525	(9,374)	-	(5,100)	(1,335)	(6,448)	54,079
Cash and investments - ending	\$ 125	\$ -	\$ 17,525	\$ (9,374)	\$ 303	\$ 46,389	\$ 227	\$ 51,421	\$ -

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, 2014  
 (Continued)

	Title One 2013-2014	Title One 2014-2015	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Education for Economic Security	Technology Related Assistance for Individuals With Disabilities	Education Jobs	Prepaid School Lunch	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 9,889	\$ (8,263)	\$ -	\$ 7,483	\$ 99,213	\$ 10,510,110
Receipts:									
Local sources	-	-	-	7,907	-	-	-	-	3,188,734
Intermediate sources	-	-	-	-	-	-	-	-	16,594
State sources	-	-	65,842	-	-	-	-	-	8,301,177
Federal sources	31,941	-	2,085	-	-	-	-	-	353,234
Other receipts	-	-	-	-	-	-	242,745	1,834,696	2,080,990
Total receipts	31,941	-	67,927	7,907	-	-	242,745	1,834,696	13,940,729
Disbursements:									
Instruction	145,230	-	-	-	-	72	-	-	5,749,322
Support services	1,639	-	67,927	-	(8,263)	-	-	-	3,428,091
Noninstructional services	146	-	-	811	-	-	-	-	561,895
Facilities acquisition and construction	-	-	-	-	-	-	-	-	384,182
Debt services	-	-	-	-	-	-	-	-	1,178,334
Nonprogrammed charges	-	-	-	-	-	-	242,074	1,907,665	2,149,764
Total disbursements	147,015	-	67,927	811	(8,263)	72	242,074	1,907,665	13,451,588
Excess (deficiency) of receipts over disbursements	(115,074)	-	-	7,096	8,263	(72)	671	(72,969)	489,141
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	39,307
Transfers out	-	-	-	-	-	-	-	-	(39,307)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(115,074)	-	-	7,096	8,263	(72)	671	(72,969)	489,141
Cash and investments - ending	\$ (115,074)	\$ -	\$ -	\$ 16,985	\$ -	\$ (72)	\$ 8,154	\$ 26,244	\$ 10,999,251



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, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Post Retirement Severance Benefits	Rainy Day	Post- Retirement/ Severance Future Benefits	Construction
Cash and investments - beginning	\$ 1,016,027	\$ 451,727	\$ 42,152	\$ 5,077,373	\$ 1,319,597	\$ 709,276	\$ 103,178	\$ 1,471,616	\$ 102,854	\$ 64,640
Receipts:										
Local sources	17,034	945,085	393,653	297,897	992,762	24,706	-	-	-	-
Intermediate sources	541	-	-	-	-	-	-	-	-	-
State sources	8,657,516	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	300	-	-	-	-	-
Total receipts	8,675,091	945,085	393,653	297,897	993,062	24,706	-	-	-	-
Disbursements:										
Instruction	6,031,348	-	-	-	-	-	-	-	-	-
Support services	1,893,896	-	-	467,118	696,038	323,962	-	-	28,330	-
Noninstructional services	97,810	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,454,877	-	-	-	-	-	64,640
Debt services	-	1,073,398	447,933	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	8,023,054	1,073,398	447,933	1,921,995	696,038	323,962	-	-	28,330	64,640
Excess (deficiency) of receipts over disbursements	652,037	(128,313)	(54,280)	(1,624,098)	297,024	(299,256)	-	-	(28,330)	(64,640)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	5,049	-	-	-	-	-	-	-	-	-
Transfers in	137,360	-	-	-	-	-	-	-	-	-
Transfers out	(134,146)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	8,263	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	660,300	(128,313)	(54,280)	(1,624,098)	297,024	(299,256)	-	-	(28,330)	(64,640)
Cash and investments - ending	\$ 1,676,327	\$ 323,414	\$ (12,128)	\$ 3,453,275	\$ 1,616,621	\$ 410,020	\$ 103,178	\$ 1,471,616	\$ 74,524	\$ -

EASTERN PULASKI 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, 2015  
 (Continued)

	Infrastructure and Technology	School Lunch	Textbook Rental	Levy Excess	Joint Services and Supply - Special Education Cooperative	Joint Services and Supply - Other	Educational License Plates	Early Intervention Grant	Pulaski Community Foundation Grant
Cash and investments - beginning	\$ -	\$ 208,531	\$ 182,368	\$ 9,344	\$ 731	\$ 3,376	\$ 1,331	\$ 132	\$ -
Receipts:									
Local sources	-	9,774	69,160	-	5,124	-	-	-	500
Intermediate sources	-	-	-	-	-	-	225	-	-
State sources	-	9,465	36,232	-	-	-	-	-	-
Federal sources	-	271,854	-	-	-	-	-	-	-
Other receipts	-	-	12,861	-	-	-	-	-	-
Total receipts	-	291,093	118,253	-	5,124	-	225	-	500
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	305
Support services	-	34,392	138,271	-	-	-	-	-	195
Noninstructional services	-	471,937	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	29,167	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	29,167	506,329	138,271	-	-	-	-	-	500
Excess (deficiency) of receipts over disbursements	(29,167)	(215,236)	(20,018)	-	5,124	-	225	-	-
Other financing sources (uses):									
Proceeds of long-term debt	995,000	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(150)	-	-	-	-	-	-
Total other financing sources (uses)	995,000	-	(150)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	965,833	(215,236)	(20,168)	-	5,124	-	225	-	-
Cash and investments - ending	\$ 965,833	\$ (6,705)	\$ 162,200	\$ 9,344	\$ 5,855	\$ 3,376	\$ 1,556	\$ 132	\$ -

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, 2015  
 (Continued)

	I Pad Insurance	Northwestern Evaluation Association	Archery Program	Family Literacy Night	Instructional Support	Indiana Virtual Academy	Scholarships and Awards	Miscellaneous Programs	Reading Specialist Pace
Cash and investments - beginning	\$ 11,282	\$ 150	\$ -	\$ -	\$ 8,343	\$ 650	\$ 27,239	\$ 6,420	\$ 138,061
Receipts:									
Local sources	24,777	-	1,000	600	242	-	42	18,200	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	24,777	-	1,000	600	242	-	42	18,200	-
Disbursements:									
Instruction	-	-	-	-	-	-	-	2,002	8,393
Support services	15,345	150	-	600	-	-	-	-	10,733
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	15,345	150	-	600	-	-	-	2,002	19,126
Excess (deficiency) of receipts over disbursements	9,432	(150)	1,000	-	242	-	42	16,198	(19,126)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	410	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	410	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,842	(150)	1,000	-	242	-	42	16,198	(19,126)
Cash and investments - ending	\$ 21,124	\$ -	\$ 1,000	\$ -	\$ 8,585	\$ 650	\$ 27,281	\$ 22,618	\$ 118,935

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, 2015  
 (Continued)

	Indiana Next	Gifted and Talented 2012-2013	Gifted and Talented 2013-2014	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Mentor Teachers	Special Services	Title One 2012-2013
Cash and investments - beginning	\$ 125	\$ -	\$ 17,525	\$ (9,374)	\$ 303	\$ 46,389	\$ 227	\$ 51,421	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	28,737	-	-	5,409	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	28,737	-	-	5,409	-	-	-
Disbursements:									
Instruction	-	-	34,543	-	-	-	-	-	-
Support services	-	-	-	19,806	-	25,240	-	300	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	34,543	19,806	-	25,240	-	300	-
Excess (deficiency) of receipts over disbursements	-	-	(5,806)	(19,806)	-	(19,831)	-	(300)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(3,214)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(3,214)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(9,020)	(19,806)	-	(19,831)	-	(300)	-
Cash and investments - ending	\$ 125	\$ -	\$ 8,505	\$ (29,180)	\$ 303	\$ 26,558	\$ 227	\$ 51,121	\$ -

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, 2015  
(Continued)

	Title One 2013-2014	Title One 2014-2015	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Education for Economic Security	Technology Related Assistance for Individuals With Disabilities	Education Jobs	Prepaid School Lunch	Payroll Clearing	Totals
Cash and investments - beginning	\$ (115,074)	\$ -	\$ -	\$ 16,985	\$ -	\$ (72)	\$ 8,154	\$ 26,244	\$ 10,999,251
Receipts:									
Local sources	-	-	-	15,068	-	-	-	-	2,815,624
Intermediate sources	-	-	-	-	-	-	-	-	766
State sources	-	-	-	-	-	-	-	-	8,737,359
Federal sources	155,810	187,478	-	-	-	-	-	-	615,142
Other receipts	-	-	-	-	-	-	247,522	2,188,254	2,448,937
Total receipts	155,810	187,478	-	15,068	-	-	247,522	2,188,254	14,617,828
Disbursements:									
Instruction	34,509	137,292	-	-	-	-	-	-	6,248,392
Support services	1,075	293	-	-	-	-	-	-	3,655,744
Noninstructional services	-	1,823	-	1,230	-	-	-	-	572,800
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,519,517
Debt services	-	-	-	-	-	-	-	-	1,550,498
Nonprogrammed charges	-	-	-	-	-	-	264	2,218,583	2,218,847
Total disbursements	35,584	139,408	-	1,230	-	-	264	2,218,583	15,765,798
Excess (deficiency) of receipts over disbursements	120,226	48,070	-	13,838	-	-	247,258	(30,329)	(1,147,970)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	995,000
Sale of capital assets	-	-	-	-	-	-	-	-	5,049
Transfers in	-	-	-	-	-	-	-	-	137,770
Transfers out	-	-	-	(115)	-	-	-	-	(137,625)
Total other financing sources (uses)	-	-	-	(115)	-	-	-	-	1,000,194
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	120,226	48,070	-	13,723	-	-	247,258	(30,329)	(147,776)
Cash and investments - ending	\$ 5,152	\$ 48,070	\$ -	\$ 30,708	\$ -	\$ (72)	\$ 255,412	\$ (4,085)	\$ 10,851,475

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EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Eastern Pulaski Community School Building Corporation	High School Construction	<u>\$ 440,000</u>	7/10/2006	1/10/2016
Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year	
Type	Purpose			
Governmental activities:				
General obligation bonds	Pension Bond	\$ 1,572,231	\$ 136,658	
General obligation bonds of 2014	Various Building Improvement Projects	<u>805,000</u>	<u>499,723</u>	
Totals		<u>\$ 2,377,231</u>	<u>\$ 636,381</u>	

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE 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, 2013 to June 30, 2015. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Basis for Qualified Opinion on Title I Grants to Local Educational Agencies***

As described in item 2015-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management and Reporting that are applicable to its Title I Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

***Qualified Opinion on Title I Grants to Local Educational Agencies***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the period of July 1, 2013 to June 30, 2015.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2013 to June 30, 2015.

***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 2015-003 and 2015-006. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

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

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

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 2015-003, 2015-004, 2015-005, 2015-006, and 2015-007 to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

August 11, 2016

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2014 and 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 2014, FY 2015	\$ -	\$ 18,228	\$ -	\$ 23,894
National School Lunch Program	Indiana Department of Education	10.555	FY 2014, FY 2015	-	206,633	-	247,960
Noncash assistance - Commodities		10.555	FY 2014, FY 2015	-	49,256	-	54,604
Total - National School Lunch Program				-	255,889	-	302,564
Total - Child Nutrition Cluster				-	274,117	-	326,458
Total - Department of Agriculture				-	274,117	-	326,458
<b>Department of Education</b>							
Special Education Cluster							
Special Education_Grants to States	Indiana Department of Education						
IDEA 11-12		84.027	14212-037-PN01	-	11,988	-	-
IDEA 12-13		84.027	14213-037-PN01	-	208,739	-	2,213
IDEA 13-14		84.027	14214-037-PN01	-	36,765	-	214,468
Technical Assistance Grant		84.027	99914-037-PN01-TA01	-	774	-	3,918
IDEA 14-15		84.027	14215-037-PN01	-	-	-	61,582
Special Education Improvement Award		84.027	H027A110084	-	67,927	-	-
Total - Special Education_Grants to States				-	326,193	-	282,181
Special Education_Preschool Grants	Indiana Department of Education						
Preschool 12-13		84.173	45713-037-PN01		7,628		-
Preschool 13-14		84.173	45714-037-PN01		4,140		7,101
Preschool 14-15		84.173	45715-037-PN01	-	-	-	3,283
Total - Special Education_Preschool Grants				-	11,768	-	10,384
Total - Special Education Cluster				-	337,961	-	292,565
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I 11-12		84.010	12-6620	-	94,345	-	1,275
Title I 12-13		84.010	13-6620	-	31,942	-	161,670
Title I 13-14		84.010	14-6620	-	-	-	180,343
Total - Title I Grants to Local Educational Agencies				-	126,287	-	343,288
Total - Department of Education				-	464,248	-	635,853
Total federal awards expended				\$ -	\$ 738,365	\$ -	\$ 962,311

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 (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2014 and 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-133, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 3. Special Education Cooperative**

The School Corporation is a member of a Special Education Cooperative. As a result, some activity for the Special Education Cluster that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement of the School Corporation. This activity is reported on the financial statement of the Special Education Cooperative.



EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified for Title 1 Grants to Local Educational Agencies, Unqualified for Child Nutrition Cluster and Special Education Cluster
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Special Education Cluster Title I Grants to Local Educational Agencies

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

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

**Section II - Financial Statement Findings**

**FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

The School Corporation had deficiencies in the internal control system related to all areas of the financial statement. The School Corporation had not identified risks to the preparation of a reliable financial statement and, as a result, had failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements.

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

The School Corporation had not separated incompatible activities related to cash and investments, receipts, and disbursements.

*Context*

*Cash and Investments*

The School Corporation had not properly designed or implemented policies and procedures to properly account for cash and investments. There were no controls to ensure that the accounting records were reconciled with the depository balances.

Reconciliations of the record balances to the depository balances were not completed for any of the 24 months of the audit period.

*Receipts*

The School Corporation had not properly designed or implemented adequate policies and procedures to ensure that receipts were properly recorded.

Receipts for the 2014-2015 school year contained the following errors:

1. Duplicate or incorrect amounts were recorded which overstated the cash investments balance of the General fund by the net amount of \$666,100.
2. County Adjusted Gross Income Tax (CAGIT) receipts were not recorded to several funds which resulted in an understatement of \$12,978.
3. Other miscellaneous errors identified understated the receipts by \$45.

*Disbursements*

The School Corporation had not properly designed or implemented policies and procedures to ensure that disbursements, including vendor and payroll disbursements, were properly recorded.

*Reporting*

The School Corporation had not properly designed or implemented policies and procedures to ensure that the financial statement was accurate and complete and agreed with the accounting records. The Form 9 information, from which the financial statement was generated, was certified by the Superintendent and School Board President; however, there was no process to ensure that the information was accurate and complete.

The 2014-2015 financial statement presented for audit contained the following errors:

1. The Rainy Day fund included receipts that were not in the accounting records, resulting in overstated receipts and understated other financing sources (uses) by \$1,500,000.
2. Reported receipts totaling \$96,310 were not included in the receipts or cash and investment balances.
3. Gifted and Talented fund disbursements were overstated by \$4,940.

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

4. The Post Retirement Severance Benefit fund was incorrectly titled on the financial statement as Special Education Preschool and did not include \$103,178 in receipts.
5. The General fund disbursements were understated by \$34,182.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement. However, other errors remained that were not detected or corrected.

An evaluation of the School Corporation's system of internal control had not been conducted. The School Corporation had no process to identify or communicate corrective actions to improve controls.

*Criteria*

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)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (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."

*Cause*

Management of the School Corporation had not established a proper system of internal control.

*Effect*

The failure to establish and monitor controls enabled material misstatements to remain undetected. The failure to perform reconciliations of the record balances to the depository balances affected our ability to obtain sufficient appropriate audit evidence to ascertain if the financial statement was fairly stated and to provide a basis for an audit opinion. We did not express an opinion on the financial statement.

*Views of Responsible Officials*

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

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

***FINDING 2015-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

*Condition*

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 had not designed or implemented adequate policies and procedures to ensure that the SEFA was accurate prior to submission.

The SEFA presented for audit contained the following errors:

1. Department of Agriculture expenditures and commodities were not included in the SEFA, resulting in under reporting by \$274,117 and \$326,428 for the 2013-2014 and 2014-2015 school years, respectively.
2. Title I Grants to Local Educational Agencies expenditures were overstated by \$22,002 and \$155,538 for the 2013-2014 and 2014-2015 school years, respectively.
3. Special Education\_Grants to States expenditures of \$67,927 were not included in the SEFA for the 2013-2014 school year.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*Criteria*

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. . . ."

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

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

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

- (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.  
. . ."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

The failure to establish and proper controls enabled material misstatements of the SEFA to remain undetected. The SEFA contained the errors identified in the *Condition*.

*Views of Responsible Officials*

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

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

**FINDING 2015-003 - PROGRAM INCOME**

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Program Income compliance requirement. The School Corporation had not designed or implemented policies and procedures to ensure that Program Income was properly recorded.

In the 2014-2015 school year, there were no transfers from the Prepaid Lunch fund to the School Lunch fund to properly record and classify program income from meals served and charged to prepaid accounts.

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

*Context*

The lack of controls and noncompliance applied to the 2014-2015 school year.

*Criteria*

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. . . ."

7 CFR 210.14(c) states:

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

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol.183)

*Cause*

Management did not develop a system of internal controls that segregated key functions.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Program Income compliance requirement.

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

In addition, we recommended that the School Corporation comply with the Program Income compliance requirement.

*Views of Responsible Officials*

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

***FINDING 2015-004 - INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014 and FY 2015

Pass-Through Entity: Indiana Department of Education

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, and Reporting compliance requirements.

*Activities Allowed or Unallowed and Allowable Costs/Cost Principles*

The School Corporation had not designed or implemented policies or procedures to ensure compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements. There were no controls in place to ensure that vendor and payroll expenditures were for activities or costs that were allowable for the programs.

*Cash Management*

The School Corporation had not designed or implemented policies and procedures to ensure that the School Lunch fund monthly cash balances were limited to the average expenditures for three months.

*Eligibility*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that only eligible students received free or reduced price meals.

*Reporting*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Sponsor Claims (Requests for Reimbursement) reports and the Annual Financial Reports were accurate prior to submission.

*Context*

This was a systemic problem throughout the audit period.

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

*Criteria*

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. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2015-005 - CASH MANAGEMENT AND REPORTING**

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 12-6620, 13-6620, 14-6620

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Cash Management and Reporting compliance requirements.



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

The School Corporation had not designed or implemented adequate controls to ensure that program expenditures were made before the request for reimbursement was submitted or that the Reimbursement Forms and Statement of Expenditures for Project Period Reports (Expenditure Report) were accurate before submission. Lack of internal controls allowed the School Corporation to request reimbursement in excess of actual costs or for amounts that had not been paid prior to the request and allowed the Expenditure Report to be inaccurate.

There were the following noncompliance with Cash Management and Reporting requirements:

1. A reimbursement request for \$99,466 was submitted on May 27, 2015; however, \$59,914 of that amount had not yet been expended.
2. A reimbursement request submitted December 9, 2014, was \$3,879 in excess of actual expenditures.
3. A reimbursement request was submitted on July 14, 2014, for \$1,275 for which no matching expenditure was found.
4. Expenditure Report for the 2013-2014 school year overstated actual expenditures by \$5,154.

*Context*

Our audit included all 11 Reimbursement Forms and the 1 Expenditures Report submitted during the audit period.

*Criteria*

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. . . ."

34 CFR 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

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

34 CFR 80.21 states in part:

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

(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

31 CFR 205.12(b)(5) states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and Cash Management and Reporting compliance requirements.

In addition, we recommended that the School Corporation comply with the Cash Management and Reporting compliance requirements and contact the Indiana Department of Education concerning unused funds from the FY 2013-2014 program.

*Views of Responsible Officials*

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

**FINDING 2015-006 - ACTIVITIES ALLOWED OR UNALLOWED  
AND ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 12-6620, 13-6620, 14-6620

Pass-Through Entity: Indiana Department of Education

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

*Condition*

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation had not designed or implemented policies or procedures to ensure that program expenditures were for activities and costs allowed for Title I grants. There were no controls to ensure that personnel paid with Title I funds actually worked in the Title I program.

During the 2013-2014 school year, the Elementary Extra-Curricular Treasurer was paid \$2,603 from Title I funds but did not work or have duties relating to any activities of the Title I program.

Semiannual Certifications and Personnel Activity Reports for employees who worked on Title I were not prepared.

*Context*

The conditions described above were found throughout the audit.

*Criteria*

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. . . ."

OMB Circular A-87, Attachment A, item c(1), states in part:

"Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . ."

OMB Circular A-87, Attachment B, Section 8(h) states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
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(Continued)

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

In addition, we recommended that the School Corporation comply with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

***FINDING 2015-007 - INTERNAL CONTROL OVER TITLE I  
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 12-6620, 13-6620, 14-6620

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Eligibility, Level of Effort, Period of Availability, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals and Annual Report Card, High School Graduation Rate.

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

*Eligibility*

The School Corporation had not designed or implemented policies and procedures to ensure that children were adequately evaluated to determine their eligibility for Title I services. There were no controls in place to ensure that the eligibility determinations were accurate.

*Level of Effort*

The School Corporation had not designed or implemented policies or procedures to ensure compliance with Level of Effort requirements. There were no controls in place to ensure that the level of effort calculation was accurate.

*Period of Availability*

The School Corporation had not designed or implemented policies and procedures to ensure that expenditures were made within the period of availability.

*Special Tests and Provisions*

The School Corporation had not designed or implemented policies and procedures to ensure compliance with Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals. There were no controls in place to ensure that the proper documentation to verify the qualifications of paraprofessionals was received and retained.

The School Corporation had not designed or implemented policies and procedures to ensure compliance with the Special Tests and Provisions. There were no controls to ensure that the Annual Report Card, High School Graduation Rate was properly completed and retained.

*Context*

The lack of internal controls over the compliance requirements noted above was evident throughout the audit period.

*Criteria*

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. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

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

*Effect*

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



# EASTERN PULASKI COMMUNITY SCHOOL CORPORATION

711 School Drive  
Winamac, IN 46996

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## EASTERN PULASKI COMMUNITY SCHOOL CORPORATION SUMMARY OF PRIOR AUDIT FINDINGS

### 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

#### Status of Finding

*First and foremost we have new staff and have shifted duties of existing staff members, from our last audit. Each year since the last audit, we have continually increased our paid lunch price at the April School Board Meeting to get to the federal reimbursement rate. We will continue to increase prices by 10 cents each year, as prescribed, until our lunch prices are set at the established price.*

#### Finding 2013-005 – Internal Controls and Noncompliance – Allowable Costs

Federal Agency: U.S. Department of Agriculture  
Federal Programs: School Breakfast Program and National School Lunch Program  
CFDA Numbers: 10.552 and 10.555  
Federal Award Year: SY 2011-2012 and SY 2012-2013  
Pass-Through Entity: Indiana Department of Education

#### Status of Finding

*First and foremost we have new staff and have shifted duties of existing staff members, since our last audit. We are now paying all claims from the correct accounts, including the termite inspection claims and bug inspection claims. These specific claims are being paid from a building maintenance account. Before claims are paid, the school board reviews all claims for accuracy and signs their authorization to pay them.*

*As of May 2016, the following procedures have been implemented: To alleviate claims from being paid from wrong accounts, the treasurer and deputy treasurer review all invoices for accuracy before they are written on claim forms. They ensure proper*





*signatures are obtained, assign account numbers, and enter them into our software. The treasurer then signs each claim after reviewing it for accuracy. The superintendent then checks all claims for accuracy.*

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 and SY 2012-2013

Pass-Through Entity: Indiana Department of Education

Status of Finding

*First and foremost we have new staff and have shifted duties of existing staff members, since our last audit. Eastern Pulaski Schools is a small school corporation with four individuals in our central office: Superintendent, Treasurer, Deputy Treasurer, and Corporation Secretary.*

*As of May 2016 internal controls are being implemented.*

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

Status of Finding

*First and foremost we have new staff and have shifted duties of existing staff members, since our last audit. Eastern Pulaski Schools is a small school corporation with four individuals in our central office: Superintendent, Treasurer, Deputy Treasurer, and Corporation Secretary.*

*As of May 2016, internal controls are being implemented.*

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 Education 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

#### Status of Finding

*As of May 2016, internal controls are being implemented.*

*Regarding noncompliance: All paraprofessional staff now meets the professional standards required by the grant agreement. We have on file proof that all paraprofessional staff meets the standards.*



# EASTERN PULASKI COMMUNITY SCHOOL CORPORATION

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Winamac, IN 46996

Phone: 574-946-4010  
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## CORRECTIVE ACTION PLAN

Contact Person Responsible for Corrective Action: Angie Anspach  
Contact Phone Number: 574-946-4010 ext. 229

### Description of Corrective Action Plan:

#### **FINDING 2015 – 001**

The bank account will be reconciled on a monthly basis to ensure that the accounting records are reconciled with the depository balances. The superintendent and/or assistant treasurer/bookkeeper will review the reconciliation for accuracy.

Reporting - Control activities will be in place to ensure all reporting, and specifically the Form 9 information, is accurate.

#### **FINDING 2015-002**

The treasurer will implement internal controls to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). A checklist for the preparation of the SEFA will be implemented to ensure accurate reporting of federal awards to minimize errors. The treasurer will prepare the reports and the superintendent and/or assistant treasurer/bookkeeper will review the reports for accuracy before submission.

#### **FINDING 2015-003**

The treasurer will implement internal controls related to the grant agreement and the Program Income compliance requirements. Transfers from the Prepaid Lunch Fund to the School Lunch Fund have been made and balanced. The Assistant Treasurer/Bookkeeper will post the transfers and review them for accuracy.

#### **FINDING 2015 – 0004**

The treasurer will implement controls, including segregation of duties, related to the grant agreement and compliance requirements. A checklist will be established to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of the federal program will be prevented, or detected and corrected, on a timely basis. The superintendent and/or assistant treasurer/bookkeeper will review the documents for accuracy before submission.

#### **FINDING 2015 – 0005**

The treasurer will implement adequate controls to ensure that program expenditures are made before the request for reimbursement has been submitted and that the Reimbursement Requests and Statement of Expenditures for Project Period Reports (Expenditure Report) are accurate before submission. The Assistant Treasurer/Bookkeeper will review all documents before being submitted to request reimbursement.



**FINDING 2016 – 0006**

The treasurer will establish controls, including segregation of duties, related to the grant agreement and compliance requirements. An internal control check list, which includes segregation of duties, will be designed to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of the federal program will be prevented, or detected and corrected, on a timely basis. The grant writer will review all documents to prevent errors.

**FINDING 2015-007**

The treasurer will establish controls, including segregation of duties, related to the grant agreement and compliance requirements. An internal control checklist system, which includes segregation of duties, will be designed to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. The grant writer will review all documents to prevent errors.

Anticipated Completion Date:

All corrective actions noted above as it relates to Findings 2015- 001, 2015-002, 2015-004, 2015-005, 2015-006, and 2015-007 will be implemented immediately.

The corrective action noted above as it relates to Finding 2015-003 has been implemented.

Angel A. Pacheco  
(Signature)

\_\_\_\_\_  
Treasurer  
(Title)

\_\_\_\_\_  
August 11, 2016  
(Date)

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.