

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

PIONEER REGIONAL SCHOOL CORPORATION  
CASS COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
07/25/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melissa J. Hardy	07-01-13 to 12-31-17
Superintendent of Schools	Dr. David L. Bess	07-01-13 to 06-30-17
President of the School Board	Michael W. Englert	07-01-13 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE PIONEER REGIONAL SCHOOL  
CORPORATION, CASS COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Pioneer Regional School Corporation (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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2013 to June 30, 2015.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2013 to June 30, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


*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, Schedule of Payables and Receivables, 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2017, 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



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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 PIONEER REGIONAL SCHOOL  
CORPORATION, CASS COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Pioneer Regional School Corporation (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 May 15, 2017, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

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

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation'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 from 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 item 2015-001.

**Pioneer Regional 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

May 15, 2017

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## 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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PIONEER REGIONAL 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			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-13	Receipts	Disbursements		06-30-14	Receipts	Disbursements		
General	\$ 572,361	\$ 5,616,587	\$ 5,776,975	\$ -	\$ 411,973	\$ 5,577,181	\$ 5,583,294	\$ -	\$ 405,860
Debt Service	375,659	509,189	494,226	-	390,622	498,145	499,424	-	389,343
Retirement/Severance Bond Debt Service	97,024	172,119	171,477	-	97,666	172,673	166,929	-	103,410
Capital Projects	1,235,109	929,820	1,048,528	-	1,116,401	912,220	921,561	-	1,107,060
School Transportation	810,223	845,789	681,140	16,157	991,029	872,910	792,851	-	1,071,088
School Bus Replacement	108,145	155,859	-	-	264,004	115,478	282,784	-	96,698
Rainy Day	1,136,823	-	-	-	1,136,823	-	-	-	1,136,823
School Lunch	189,350	343,247	480,775	-	51,822	527,752	483,704	-	95,870
Textbook Rental	53,010	174,542	122,030	-	105,522	204,184	233,069	-	76,637
Levy Excess	16,157	-	-	(16,157)	-	-	-	-	-
Educational License Plates	1,218	150	-	-	1,368	38	-	-	1,406
School Library Printed Material	103	-	-	-	103	-	-	-	103
Gifts and Donations	597	-	-	-	597	-	-	-	597
Gifts, Donations and Trusts	5,000	-	-	-	5,000	-	-	-	5,000
Scholarships and Awards	24,727	-	-	-	24,727	-	-	-	24,727
Gates Foundation	43	-	-	-	43	-	-	-	43
Gifted-Talented Fund	15,629	27,827	31,745	-	11,711	28,078	28,129	-	11,660
Prime Time Makeover	1,132	-	-	-	1,132	-	-	-	1,132
Non-English Speaking Programs P.L. 273-1999	-	-	-	-	-	-	-	-	-
School Technology	6,908	8,321	9,128	-	6,101	6,279	-	-	12,380
Indiana School Academic Improvement Program (ISAIP)	836	-	-	-	836	-	-	-	836
Discover Institute	1,100	-	-	-	1,100	-	-	-	1,100
Net Day Grant	500	-	-	-	500	-	-	-	500
2012-2013 Title I Grant	(2,598)	29,625	27,027	-	-	-	-	-	-
2013-2014 Title I Grant	-	73,968	76,915	-	(2,947)	56,709	53,762	-	-
2014-2015 Title I Grant	-	-	-	-	-	191,921	189,127	-	2,794
CH-1 Program Improvement	317	-	-	-	317	-	-	-	317
4220 Innovative Education - Title V	6	-	-	-	6	-	-	-	6
4230 Innovative Education - Title V	70	-	-	-	70	-	-	-	70
Serve America 1	-	-	-	-	-	10,000	10,000	-	-
Serve America	796	-	-	-	796	-	-	-	796
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	-	-	-	-	-	-	-
Drug Free	458	-	-	-	458	-	-	-	458
Title II - Dwight D. Eisenhower - Science and Math Technology Grants	973	-	-	-	973	-	-	-	973
Homeland Sec Grant FY 1	-	-	-	-	-	9,403	9,403	-	-
Medicaid Reimbursement - Federal	57	-	-	-	57	-	-	-	57
Improving Teaching Quality, No Child Left, Title II, Part A	2,331	-	-	-	2,331	-	-	-	2,331
2011-2012 Title II Grant	(139)	4,794	4,655	-	-	-	-	-	-
2012-2013 Title II Grant	-	21,293	20,713	-	580	8,478	9,058	-	-
2013-2014 Title II Grant	-	-	-	-	-	16,891	19,731	-	(2,840)
Title III - Language Instruction	3,527	-	-	-	3,527	-	-	-	3,527
Title I - Grants to LEAs	-	-	-	-	-	-	-	-	-
Education Jobs	-	-	-	-	-	-	-	-	-
High School Sign Fund	461	-	-	-	461	-	-	-	461
Panther Kids Camp	-	-	-	-	-	450	-	-	450
Prepaid School Lunch	7,523	231,514	115,912	-	123,125	232,661	298,719	-	57,067
Payroll	7,500	1,472,946	1,470,597	-	9,849	1,498,655	1,491,011	-	17,493
<b>Totals</b>	<b>\$ 4,672,936</b>	<b>\$ 10,617,590</b>	<b>\$ 10,531,843</b>	<b>\$ -</b>	<b>\$ 4,758,683</b>	<b>\$ 10,940,106</b>	<b>\$ 11,072,556</b>	<b>\$ -</b>	<b>\$ 4,626,233</b>

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

PIONEER REGIONAL 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.* Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

PIONEER REGIONAL SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

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

*E. Disbursements*

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

*Instruction.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt services.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

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

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

*Transfers out.* Amounts paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

PIONEER REGIONAL SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*G. Fund Accounting*

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

**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.

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.

PIONEER REGIONAL SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**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.

PIONEER REGIONAL 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 funds that were set up for reimbursable grants. The reimbursements for expenditures were not received by June 30, 2014 or 2015.

**Note 8. Subsequent Events**

- A. The School Corporation entered into a capital lease with the Pioneer School Building Corporation (the lessor) on July 14, 2015. The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing, constructing and renovating of the Elementary and High Schools. The lessor has been determined to be a related-party of the School Corporation. Corporation Ad Valorem Property Tax First Mortgage Bonds, Series 2015 were issued through the corporation in the amount of \$3,500,000 with payments beginning June 30, 2016.

PIONEER REGIONAL SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

- B. Additionally, the School Corporation amended a capital lease with the Pioneer School Building Corporation on May 10, 2016. The amendment was for the purpose of financing renovations, improvements, and equipping of school facilities as part of a Guaranteed Energy Savings Contract. Corporation Ad Valorem Property Tax First Mortgage Bonds, Series 2016 were issued through the corporation in the amount of \$1,700,000 with payments beginning June 30, 2017.

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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.

PIONEER REGIONAL 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	Rainy Day	School Lunch
Cash and investments - beginning	\$ 572,361	\$ 375,659	\$ 97,024	\$ 1,235,109	\$ 810,223	\$ 108,145	\$ 1,136,823	\$ 189,350
Receipts:								
Local sources	90,466	509,189	172,119	929,820	845,789	155,859	-	122,252
Intermediate sources	55	-	-	-	-	-	-	-
State sources	5,526,066	-	-	-	-	-	-	6,243
Federal sources	-	-	-	-	-	-	-	214,752
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>5,616,587</u>	<u>509,189</u>	<u>172,119</u>	<u>929,820</u>	<u>845,789</u>	<u>155,859</u>	<u>-</u>	<u>343,247</u>
Disbursements:								
Instruction	3,946,625	-	-	-	-	-	-	-
Support services	1,701,030	-	-	712,912	681,140	-	-	-
Noninstructional services	129,320	-	-	-	-	-	-	480,775
Facilities acquisition and construction	-	-	-	335,616	-	-	-	-
Debt services	-	494,226	171,477	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>5,776,975</u>	<u>494,226</u>	<u>171,477</u>	<u>1,048,528</u>	<u>681,140</u>	<u>-</u>	<u>-</u>	<u>480,775</u>
Excess (deficiency) of receipts over disbursements	<u>(160,388)</u>	<u>14,963</u>	<u>642</u>	<u>(118,708)</u>	<u>164,649</u>	<u>155,859</u>	<u>-</u>	<u>(137,528)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	16,157	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,157</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(160,388)</u>	<u>14,963</u>	<u>642</u>	<u>(118,708)</u>	<u>180,806</u>	<u>155,859</u>	<u>-</u>	<u>(137,528)</u>
Cash and investments - ending	<u>\$ 411,973</u>	<u>\$ 390,622</u>	<u>\$ 97,666</u>	<u>\$ 1,116,401</u>	<u>\$ 991,029</u>	<u>\$ 264,004</u>	<u>\$ 1,136,823</u>	<u>\$ 51,822</u>

PIONEER REGIONAL 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)

	Textbook Rental	Levy Excess	Educational License Plates	School Library Printed Material	Gifts and Donations	Gifts, Donations and Trusts	Scholarships and Awards	Gates Foundation
Cash and investments - beginning	\$ 53,010	\$ 16,157	\$ 1,218	\$ 103	\$ 597	\$ 5,000	\$ 24,727	\$ 43
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	150	-	-	-	-	-
State sources	174,542	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>174,542</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	122,030	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>122,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>52,512</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(16,157)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(16,157)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>52,512</u>	<u>(16,157)</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 105,522</u>	<u>\$ -</u>	<u>\$ 1,368</u>	<u>\$ 103</u>	<u>\$ 597</u>	<u>\$ 5,000</u>	<u>\$ 24,727</u>	<u>\$ 43</u>

PIONEER REGIONAL 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)

	Gifted-Talented Fund	Prime Time Makeover	Non-English Speaking Programs P.L. 273-1999	School Technology	Indiana School Academic Improvement Program (ISAIP)	Discover Institute	Net Day Grant	2012-2013 Title 1 Grant
Cash and investments - beginning	\$ 15,629	\$ 1,132	\$ -	\$ 6,908	\$ 836	\$ 1,100	\$ 500	\$ (2,598)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	27,827	-	-	8,321	-	-	-	-
Federal sources	-	-	-	-	-	-	-	29,625
Other receipts	-	-	-	-	-	-	-	-
Total receipts	27,827	-	-	8,321	-	-	-	29,625
Disbursements:								
Instruction	31,745	-	-	2,483	-	-	-	27,027
Support services	-	-	-	6,645	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	31,745	-	-	9,128	-	-	-	27,027
Excess (deficiency) of receipts over disbursements	(3,918)	-	-	(807)	-	-	-	2,598
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	(3,918)	-	-	(807)	-	-	-	2,598
Cash and investments - ending	\$ 11,711	\$ 1,132	\$ -	\$ 6,101	\$ 836	\$ 1,100	\$ 500	\$ -

PIONEER REGIONAL 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)

	2013-2014 Title I Grant	2014-2015 Title I Grant	CH-1 Program Improvement	4220 Innovative Education - Title V	4230 Innovative Education - Title V	Serve America 1	Serve America	(IDEA, Part B) LEA Capacity Building (Sliver) Grants
Cash and investments - beginning	\$ -	\$ -	\$ 317	\$ 6	\$ 70	\$ -	\$ 796	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	73,968	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	73,968	-	-	-	-	-	-	-
Disbursements:								
Instruction	76,915	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	76,915	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(2,947)	-	-	-	-	-	-	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,947)	-	-	-	-	-	-	-
Cash and investments - ending	\$ (2,947)	\$ -	\$ 317	\$ 6	\$ 70	\$ -	\$ 796	\$ -

PIONEER REGIONAL 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)

	Drug Free	Title II - Dwight D. Eisenhower - Science and Math Technology Grants	Homeland Sec Grant FY 1	Medicaid Reimbursement - Federal	Improving Teaching Quality, No Child Left, Title II, Part A	2011-2012 Title II Grant	2012-2013 Title II Grant	2013-2014 Title II Grant
Cash and investments - beginning	\$ 458	\$ 973	\$ -	\$ 57	\$ 2,331	\$ (139)	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	4,794	21,293	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	4,794	21,293	-
Disbursements:								
Instruction	-	-	-	-	-	4,655	20,713	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	4,655	20,713	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	139	580	-
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	-	-	-	-	-	139	580	-
Cash and investments - ending	\$ 458	\$ 973	\$ -	\$ 57	\$ 2,331	\$ -	\$ 580	\$ -

PIONEER REGIONAL 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 III - Language Instruction	Title I - Grants to LEAs	Education Jobs	High School Sign Fund	Panther Kids Camp	Prepaid School Lunch	Payroll	Totals
Cash and investments - beginning	\$ 3,527	\$ -	\$ -	\$ 461	\$ -	\$ 7,523	\$ 7,500	\$ 4,672,936
Receipts:								
Local sources	-	-	-	-	-	-	-	2,825,494
Intermediate sources	-	-	-	-	-	-	-	205
State sources	-	-	-	-	-	-	-	5,742,999
Federal sources	-	-	-	-	-	-	-	344,432
Other receipts	-	-	-	-	-	231,514	1,472,946	1,704,460
Total receipts	-	-	-	-	-	231,514	1,472,946	10,617,590
Disbursements:								
Instruction	-	-	-	-	-	-	-	4,110,163
Support services	-	-	-	-	-	-	-	3,223,757
Noninstructional services	-	-	-	-	-	-	-	610,095
Facilities acquisition and construction	-	-	-	-	-	-	-	335,616
Debt services	-	-	-	-	-	-	-	665,703
Nonprogrammed charges	-	-	-	-	-	115,912	1,470,597	1,586,509
Total disbursements	-	-	-	-	-	115,912	1,470,597	10,531,843
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	115,602	2,349	85,747
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	16,157
Transfers out	-	-	-	-	-	-	-	(16,157)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	115,602	2,349	85,747
Cash and investments - ending	\$ 3,527	\$ -	\$ -	\$ 461	\$ -	\$ 123,125	\$ 9,849	\$ 4,758,683

PIONEER REGIONAL 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	Rainy Day	School Lunch
Cash and investments - beginning	\$ 411,973	\$ 390,622	\$ 97,666	\$ 1,116,401	\$ 991,029	\$ 264,004	\$ 1,136,823	\$ 51,822
Receipts:								
Local sources	143,296	498,145	172,673	912,220	872,910	115,478	-	303,687
Intermediate sources	55	-	-	-	-	-	-	-
State sources	5,433,830	-	-	-	-	-	-	5,924
Federal sources	-	-	-	-	-	-	-	218,141
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>5,577,181</u>	<u>498,145</u>	<u>172,673</u>	<u>912,220</u>	<u>872,910</u>	<u>115,478</u>	<u>-</u>	<u>527,752</u>
Disbursements:								
Instruction	3,726,641	-	-	-	-	-	-	-
Support services	1,722,388	-	-	651,327	792,851	282,784	-	-
Noninstructional services	134,265	-	-	-	-	-	-	483,704
Facilities acquisition and construction	-	-	-	270,234	-	-	-	-
Debt services	-	499,424	166,929	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>5,583,294</u>	<u>499,424</u>	<u>166,929</u>	<u>921,561</u>	<u>792,851</u>	<u>282,784</u>	<u>-</u>	<u>483,704</u>
Excess (deficiency) of receipts over disbursements	<u>(6,113)</u>	<u>(1,279)</u>	<u>5,744</u>	<u>(9,341)</u>	<u>80,059</u>	<u>(167,306)</u>	<u>-</u>	<u>44,048</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(6,113)</u>	<u>(1,279)</u>	<u>5,744</u>	<u>(9,341)</u>	<u>80,059</u>	<u>(167,306)</u>	<u>-</u>	<u>44,048</u>
Cash and investments - ending	<u>\$ 405,860</u>	<u>\$ 389,343</u>	<u>\$ 103,410</u>	<u>\$ 1,107,060</u>	<u>\$ 1,071,088</u>	<u>\$ 96,698</u>	<u>\$ 1,136,823</u>	<u>\$ 95,870</u>

PIONEER REGIONAL 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)

	Textbook Rental	Levy Excess	Educational License Plates	School Library Printed Material	Gifts and Donations	Gifts, Donations and Trusts	Scholarships and Awards	Gates Foundation
Cash and investments - beginning	\$ 105,522	\$ -	\$ 1,368	\$ 103	\$ 597	\$ 5,000	\$ 24,727	\$ 43
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	38	-	-	-	-	-
State sources	204,184	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	204,184	-	38	-	-	-	-	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	233,069	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	233,069	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(28,885)	-	38	-	-	-	-	-
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	(28,885)	-	38	-	-	-	-	-
Cash and investments - ending	\$ 76,637	\$ -	\$ 1,406	\$ 103	\$ 597	\$ 5,000	\$ 24,727	\$ 43

PIONEER REGIONAL 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)

	Gifted-Talented Fund	Prime Time Makeover	Non-English Speaking Programs P.L. 273-1999	School Technology	Indiana School Academic Improvement Program (ISAIP)	Discover Institute	Net Day Grant	2012-2013 Title 1 Grant
Cash and investments - beginning	\$ 11,711	\$ 1,132	\$ -	\$ 6,101	\$ 836	\$ 1,100	\$ 500	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	28,078	-	-	6,279	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	28,078	-	-	6,279	-	-	-	-
Disbursements:								
Instruction	28,129	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	28,129	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(51)	-	-	6,279	-	-	-	-
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	(51)	-	-	6,279	-	-	-	-
Cash and investments - ending	\$ 11,660	\$ 1,132	\$ -	\$ 12,380	\$ 836	\$ 1,100	\$ 500	\$ -

PIONEER REGIONAL 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)

	2013-2014 Title I Grant	2014-2015 Title I Grant	CH-1 Program Improvement	4220 Innovative Education - Title V	4230 Innovative Education - Title V	Serve America 1	Serve America	(IDEA, Part B) LEA Capacity Building (Sliver) Grants
Cash and investments - beginning	\$ (2,947)	\$ -	\$ 317	\$ 6	\$ 70	\$ -	\$ 796	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	10,000	-	-
Federal sources	56,709	191,921	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	56,709	191,921	-	-	-	10,000	-	-
Disbursements:								
Instruction	53,762	189,127	-	-	-	10,000	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	53,762	189,127	-	-	-	10,000	-	-
Excess (deficiency) of receipts over disbursements	2,947	2,794	-	-	-	-	-	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,947	2,794	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ 2,794	\$ 317	\$ 6	\$ 70	\$ -	\$ 796	\$ -

PIONEER REGIONAL 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)

	Drug Free	Title II - Dwight D. Eisenhower - Science and Math Technology Grants	Homeland Sec Grant FY 1	Medicaid Reimbursement - Federal	Improving Teaching Quality, No Child Left, Title II, Part A	2011-2012 Title II Grant	2012-2013 Title II Grant	2013-2014 Title II Grant
Cash and investments - beginning	\$ 458	\$ 973	\$ -	\$ 57	\$ 2,331	\$ -	\$ 580	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	9,403	-	-	-	-	-
Federal sources	-	-	-	-	-	-	8,478	16,891
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	9,403	-	-	-	8,478	16,891
Disbursements:								
Instruction	-	-	9,403	-	-	-	9,058	19,731
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	9,403	-	-	-	9,058	19,731
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	(580)	(2,840)
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	-	-	-	-	-	-	(580)	(2,840)
Cash and investments - ending	\$ 458	\$ 973	\$ -	\$ 57	\$ 2,331	\$ -	\$ -	\$ (2,840)

PIONEER REGIONAL 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 III - Language Instruction	Title I - Grants to LEAs	Education Jobs	High School Sign Fund	Panther Kids Camp	Prepaid School Lunch	Payroll	Totals
Cash and investments - beginning	\$ 3,527	\$ -	\$ -	\$ 461	\$ -	\$ 123,125	\$ 9,849	\$ 4,758,683
Receipts:								
Local sources	-	-	-	-	-	-	-	3,018,409
Intermediate sources	-	-	-	-	-	-	-	93
State sources	-	-	-	-	-	-	-	5,697,698
Federal sources	-	-	-	-	-	-	-	492,140
Other receipts	-	-	-	-	450	232,661	1,498,655	1,731,766
Total receipts	-	-	-	-	450	232,661	1,498,655	10,940,106
Disbursements:								
Instruction	-	-	-	-	-	-	-	4,045,851
Support services	-	-	-	-	-	-	-	3,682,419
Noninstructional services	-	-	-	-	-	-	-	617,969
Facilities acquisition and construction	-	-	-	-	-	-	-	270,234
Debt services	-	-	-	-	-	-	-	666,353
Nonprogrammed charges	-	-	-	-	-	298,719	1,491,011	1,789,730
Total disbursements	-	-	-	-	-	298,719	1,491,011	11,072,556
Excess (deficiency) of receipts over disbursements	-	-	-	-	450	(66,058)	7,644	(132,450)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	450	(66,058)	7,644	(132,450)
Cash and investments - ending	\$ 3,527	\$ -	\$ -	\$ 461	\$ 450	\$ 57,067	\$ 17,493	\$ 4,626,233

PIONEER REGIONAL SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 395,103</u>	<u>\$ -</u>

PIONEER REGIONAL SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Apple	iPads	\$ 91,707	07/01/13	06/30/17
Wells Fargo	Copier Lease	<u>16,512</u>	08/01/13	07/31/18
Total of annual lease payments		<u>\$ 108,219</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Loans	Common School Loan	\$ 2,810,000	\$ 453,113
General obligation bonds	Pension Debt	<u>1,380,000</u>	<u>172,197</u>
Totals		<u>\$ 4,190,000</u>	<u>\$ 625,310</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 PIONEER REGIONAL SCHOOL  
CORPORATION, CASS COUNTY, INDIANA

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

We have audited the Pioneer Regional 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.

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

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2013 to June 30, 2015.

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

**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 2015-004, 2015-005, 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 and significant deficiencies.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003, 2015-004, 2015-005, and 2015-006 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

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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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PIONEER REGIONAL 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 14, FY 15	\$ -	\$ 31,151	\$ -	\$ 29,335
National School Lunch Program		10.555	FY 14, FY 15	-	183,600	-	188,807
National School Lunch Program - Commodities			FY 14, FY 15	-	35,547	-	33,060
Total - National School Lunch Program				-	219,147	-	221,867
Total - Child Nutrition Cluster				-	250,298	-	251,202
Total - Department of Agriculture				-	250,298	-	251,202
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education						
FY 2012 Federal Part B 611 Grant		84.027	14212-037-PN01	-	9,152	-	-
FY 2013 Federal Part B 611 Grant			14213-037-PN01	-	157,831	-	1,674
FY 2014 Federal Part B 611 Grant			14214-037-PN01	-	27,068	-	157,905
FY 2014 Federal Technical Assistance Grant Part B Funds			99914-037-PN01-TA01	-	585	-	2,963
FY 2015 Federal Part B 611 Funds			14215-037-PN01	-	-	-	45,053
Total - Special Education_Grants to States				-	194,636	-	207,595
Special Education_Preschool Grants	Indiana Department of Education						
FY 2013 Federal Part B 619 Grant		84.173	45713-037-PN01	-	2,498	-	-
FY 2014 Federal Part B 619 Grant			45714-037-PN01	-	1,277	-	2,189
FY 2015 Federal Part B 619 Funds			45715-037-PN01	-	-	-	1,005
Total - Special Education_Preschool Grants				-	3,775	-	3,194
Total - Special Education Cluster (IDEA)				-	198,411	-	210,789
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I 2012-2013		84.010	13-0775	-	29,625	-	-
Title I 2013-2014			14-0775	-	73,969	-	56,709
Title I 2014-2015			15-0775	-	-	-	191,921
Total - Title I Grants to Local Educational Agencies				-	103,594	-	248,630
English Language Acquisition State Grants	Indiana Department of Education						
Title III		84.365	01115-110-PN01	-	-	-	1,761
Improving Teacher Quality State Grants	Indiana Department of Education						
Title II A FY 2012		84.367	12-0775	-	4,794	-	-
Title II A FY 2013			13-0775	-	21,294	-	8,478
Title II A FY 2014			14-0775	-	-	-	16,891
Total - Improving Teacher Quality State Grants				-	26,088	-	25,369
Total - Department of Education				-	328,093	-	486,549
Total federal awards expended				\$ -	\$ 578,391	\$ -	\$ 737,751

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

PIONEER REGIONAL 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-87, *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 for the School Corporation. This activity is reported on the financial statement of the Special Education Cooperative.



PIONEER REGIONAL SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The SEFA contained the following errors:

1. The Child Nutrition Cluster omitted commodities of \$35,547 and \$32,860 for the years ended June 30, 2014 and 2015, respectively.
2. The Special Education Cluster (IDEA) was understated by \$198,411 and \$3,194, for the years ended June 30, 2014 and 2015, respectively.
3. The Title 1 Grants to Local Educational Agencies was understated by \$56,709 for the year ended June 30, 2015.
4. The Improving Teacher Quality State Grants was understated by \$8,478 for the year ended June 30, 2015.
5. The English Language Acquisition State Grants was understated by \$1,761 for the year ended June 30, 2015.
6. The SEFA included state grants in error.

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

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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. . . ."

PIONEER REGIONAL SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

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

*Cause*

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

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained 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.

**FINDING 2015-002 - FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts, vendor disbursements, and payroll disbursements. The Treasurer received collections, prepared the deposit slip, made the deposit, and recorded the receipts. Vendor disbursements were independently prepared by the Treasurer and payroll disbursements were independently prepared by the Payroll Clerk. There was no segregation of duties, such as an oversight, review, or approval process.

PIONEER REGIONAL SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

*Cause*

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

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

*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 - 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 14, FY 15  
Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Cash Management, Equipment and Real Property Management, Eligibility, Program Income, and Reporting.

PIONEER REGIONAL SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Activities Allowed or Unallowed*

There were no controls in place to that ensure that payroll disbursements were for allowable activities.

*Cash Management*

There were no controls in place to ensure that the balance in the School Lunch fund, which is the net cash resources, did not exceed the three months average expenditures.

*Equipment and Real Property Management*

There were no controls in place to ensure that Equipment purchased with school lunch funds was properly accounted for.

*Eligibility*

There were no controls in place to ensure that the eligibility determination for free and reduced price meals was accurate. One employee processed the applications for free and reduced price meals, which included entering the data and determining eligibility.

*Program Income*

There were no controls in place to ensure that Program Income was properly recorded. Additionally, there were no controls to ensure that the Prepaid School Lunch fund was reconciled to the subsidiary student accounts.

*Reporting*

There were no controls in place to ensure that the Sponsor Claim (claim for reimbursement) or the Annual Financial Report were accurate prior to submission.

*Context*

This is not an isolated incident. There were no controls 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.

PIONEER REGIONAL 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. The 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 the 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 2015-004 - ALLOWABLE COSTS/COST PRINCIPLES**

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 14, FY 15

Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that all payroll disbursements were for allowable costs and that Semi-Annual Certifications and Personnel Activity Reports were completed and maintained in compliance with program requirements.

*Context*

This was a systemic problem. There were no controls over payroll disbursements to ensure compliance with Allowable Costs/Cost Principles requirements. In addition, Semi-Annual Certifications and Personnel Activity Reports were not maintained for any full or part-time employees throughout the audit period.

PIONEER REGIONAL 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. . . ."

OMB circular A 87, Attachment B, item 8h 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 first-hand 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:

- (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,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

PIONEER REGIONAL SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. We also recommended that the School Corporation comply with the Allowable Costs/Cost Principles 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 2015-005 - PROCUREMENT AND SUSPENSION AND DEBARMENT***

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 14, FY 15

Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation was part of a three-school consortium which rotated the responsibility for bidding amongst three schools. The consortium had no contract detailing the responsibilities of each school. The School Corporation had no controls to ensure that procurement procedures were properly performed. In addition, the School Corporation did not have procedures in place to ensure that vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs. The School Corporation was not aware of the requirement to verify that vendors were not suspended or debarred prior to awarding the contracts and, therefore, did not perform a verification or obtain certifications that the vendors were not suspended or debarred.

*Context*

This was a systemic problem which occurred 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. . . ."

PIONEER REGIONAL SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

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

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement 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 Procurement and Suspension and Debarment compliance requirement. We also recommended that the School Corporation comply with the Procurement and Suspension and Debarment 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 2015-006 - 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): 13-0775, 14-0775, 15-0775

Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management and Reporting compliance requirements.

PIONEER REGIONAL SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

There were no controls in place to ensure that monthly Reimbursement Forms (Forms) were accurate and included only expenses that had already been paid before submission. There were also no controls to ensure that the Annual Final Expenditure Reports (Annual Reports) were accurate prior to submission.

The School Corporation submitted monthly Forms and Annual Reports as required by the Indiana Department of Education. Some monthly Reports included expenditures that had not been paid prior to the request for reimbursement. The expenditures reported on the monthly Forms and the Annual Reports did not agree with the School Corporation's financial records.

*Context*

These were systemic problems. There was a lack of controls throughout the audit period. The expenditures reported on the monthly Forms could not be verified with the records for all five of the Forms tested. Four of the five monthly Forms tested also included expenses that had not been paid prior to the request for reimbursement. The expenditures reported on both Annual Reports could not be verified to the financial records.

*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 system 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, outlay 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. . . ."

34 CFR 80.21(d) states in part: "*Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

PIONEER REGIONAL SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

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

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program 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 Cash Management and Reporting compliance requirements. We also recommended that the School Corporation comply with the Cash Management and Reporting compliance requirements.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

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



# PIONEER REGIONAL SCHOOL CORPORATION

**David L. Bess, Superintendent**

**413 South Chicago Street PO Box 577**

**Royal Center, IN 46978**

**Phone: 574-643-2605 fax: 574-643-9977**

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***Finding 2013-003 - Internal Controls over Compliance Requirements That Have a Direct and Material Effect to Child Nutrition Cluster***

#### ***Finding 2013-004 - Reporting - Child Nutrition Cluster***

Fiscal year in which the finding initially occurred: 2012

Pass-Through Entity, if pass-through: Indiana Department of Education

Contact Person Responsible for Corrective Action: Melissa Hardy, Treasurer

Contact Phone Number: 574-643-2605

#### Status of Audit Findings:

***Lack of Segregation of Duties:*** *The administration implemented procedures to assign duties that controls some separation of duties so there will be as much segregation of the incompatible duties as practical. School lunch monies are received and deposited by the Elementary Treasurer and the Food Service Director at the High School . The same people print the school lunch reports from the Harmony software for their respective schools. Those reports are then compiled in the administration office and deposits are reviewed and verified with reconciliation and the bank statement by the treasurer or her designee. The balances are reported on an excel spreadsheet that combines the two schools lunch totals. The Food Service Director prepares the monthly reimbursement report and the Corporation Treasurer prepares the Annual financial report. Most purchases are made by the school's Head Cooks and the Food Service Director audits and compiles the claims of both schools to submit to the Corporation Treasurer for payment. The Corporation Treasurer will review the claims and verify the amounts are correct with the statements. The school corporation has separated as many of the duties as we can without employing new staff. Because we are a small unit and management has determined that the cost associated with employing additional staff in order to segregate duties effectively would outweigh the benefits of a stronger internal control. Management, along with the School Board of Trustees, acknowledges and assumes the risk inherent with the current design of their administration office.*

(Signature)

Corp. Treasurer/ Business Affairs Manager

(Title)

March 30, 2017

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



## **PIONEER REGIONAL SCHOOL CORPORATION**

**Melissa J Hardy, Corporation Treasurer/Business Affairs Manager**

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**[hardym@pioneer.k12.in.us](mailto:hardym@pioneer.k12.in.us)**

### **CORRECTIVE ACTION PLAN**

#### ***FINDING 2015-001***

Contact Person Responsible for Corrective Action: Melissa J Hardy

Contact Phone Number: 574-643-2605

**The School Corporation will implement procedures that ensure that internal controls are in place to prevent, detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA) report.**

Anticipated Completion Date: May 15, 2017

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

Contact Person Responsible for Corrective Action: Melissa J Hardy

Contact Phone Number: 574-643-2605

**The School Corporation will implement procedures to ensure that controls over duties have as much segregation as possible. Pioneer School Corporation is a small school and it isn't feasible to hire employees to cover all assigned duties to this office.**

Anticipated Completion Date: May 15, 2017

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

Contact Person Responsible for Corrective Action: Melissa J Hardy

Contact Phone Number: 574-643-2605

**The School Corporation will implement corrective procedures to ensure there is an effective internal control in place in order to ensure compliance related controls over grant management. The School Corporation will implement procedures to ensure that controls over duties have as much segregation as possible. Pioneer School Corporation is a small school and it isn't feasible to hire more employees. We will begin to require time and effort logs from these employees.**

Anticipated Completion Date: May 15, 2017

**FINDING 2015-004**

Contact Person Responsible for Corrective Action: Melissa J Hardy  
Contact Phone Number: 574-643-2605

**The School Corporation will implement corrective procedures to ensure there is an effective internal control in place in order to ensure compliance related controls over grant management.**

Anticipated Completion Date: May 15, 2017

**FINDING 2015-005**

Contact Person Responsible for Corrective Action: Melissa J Hardy  
Contact Phone Number: 574-643-2605

**The School Corporation will implement corrective procedures to ensure there is an effective internal control in place in order to ensure compliance related controls over grant management.**

Anticipated Completion Date: May 15, 2017

**FINDING 2015-006**

Contact Person Responsible for Corrective Action: Melissa J Hardy  
Contact Phone Number: 574-643-2605

**The School Corporation will implement corrective procedures to ensure there is an effective internal control in place in order to ensure compliance related controls over grant management. Pioneer School Corporation is a small school and it isn't feasible to hire more employees but we will have employees review each other's work and document that this is done. The School Corporation will implement procedures to ensure that controls are in place to ensure the reimbursements requests are and financial reports are accurate. The School Corporation will pay expenses prior to requesting reimbursements.**

Anticipated Completion Date: May 15, 2017



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**Melissa J Hardy**  
**Pioneer Regional School Corporation Treasurer**

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**May 15, 2017**  
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/>.