

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

PAOLI COMMUNITY SCHOOL CORPORATION
ORANGE COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
09/05/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-27
Schedule of Payables and Receivables	28
Schedule of Leases and Debt	29
Schedule of Capital Assets.....	31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	34-36
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	38-39
Notes to Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41-49
Auditee-Prepared Document:	
Corrective Action Plan	52-56
Other Reports.....	57

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Julie M. Osborn	07-01-13 to 06-30-18
Superintendent of Schools	Casey Brewster (Vacant) Gerald W. Jackson	07-01-13 to 07-10-17 07-11-17 to 07-16-17 07-17-17 to 07-18-18
President of the School Board	James W. McDonald, Jr. Lila Tucker	01-01-13 to 12-31-14 01-01-15 to 12-31-17



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE PAOLI COMMUNITY SCHOOL
CORPORATION, ORANGE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Paoli Community 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, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

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 July 13, 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

July 13, 2017



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302 WEST WASHINGTON STREET
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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 PAOLI COMMUNITY SCHOOL
CORPORATION, ORANGE 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 Paoli Community 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 July 13, 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Paoli Community School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

July 13, 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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PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 1,498,854	\$ 11,053,541	\$ 11,021,695	\$ (24,020)	\$ 1,506,680	\$ 10,996,900	\$ 11,257,306	\$ 37,597	\$ 1,283,871
Debt Service	423,224	1,425,369	1,349,722	-	498,871	1,343,686	1,327,419	3,988	519,126
Capital Projects	13,386	870,122	729,755	(53,425)	100,328	899,156	952,963	2,750	49,271
School Transportation	207,353	730,559	676,799	-	261,113	709,105	698,971	(9,849)	261,398
School Bus Replacement	45,862	96,379	78,872	-	63,369	78,597	78,851	246	63,361
Rainy Day	500,000	-	53,425	53,425	500,000	-	-	-	500,000
School Lunch	133,359	674,625	699,727	-	108,257	673,934	725,432	-	56,759
Textbook Rental	104,797	206,272	332,897	-	(21,828)	254,346	175,374	-	57,144
Self-Insurance	349,739	1,771,374	1,760,837	-	360,276	1,730,406	1,660,754	-	429,928
Levy Excess	-	-	-	-	-	101,668	-	(9,215)	92,453
Educational License Plates	751	149	-	-	900	150	-	-	1,050
Safe Haven Grant	3,284	12,902	16,186	-	-	-	-	-	-
Safe Haven Grant 14/15	-	-	-	-	-	7,460	7,460	-	-
Scholarships and Awards	73,014	1,034	31,300	44,300	87,048	34	1,300	1,300	87,082
Crowe Educator Award	-	500	500	-	-	500	500	-	-
Jennifer Lunbergan Award	-	-	-	-	-	654	650	-	4
Miscellaneous Programs	4,203	3,944	2,338	-	5,809	3,022	2,942	-	5,889
Riverboat Casino	201,880	300,738	303,311	-	199,307	265,843	255,506	-	209,644
13-14 Making A Difference Grant	-	14,944	14,944	-	-	-	-	-	-
Gifted and Talented	316	30,333	28,101	-	2,548	-	2,548	-	-
GT Grant 2014/15	-	-	-	-	-	30,635	27,961	-	2,674
OCCF Block Grant	1,664	1,701	1,777	-	1,588	-	100	-	1,488
Target Award	30	-	-	-	30	-	30	-	-
Special Education Improvement Award 2013	(30,375)	69,975	39,600	-	-	-	-	-	-
Secured Schools Safety Grant	-	32,582	32,582	-	-	27,161	27,161	-	-
Non-English Speaking Programs P.L. 273-1999	449	-	-	-	449	-	-	-	449
School Technology	(1,351)	3,617	6,080	9,253	5,439	12,445	10,178	-	7,706
Technology Grants [IC 20-40-15]	-	-	-	-	-	-	35,841	-	(35,841)
Excess PTRC Distributions	20	1	-	-	21	-	-	-	21
Chromebook Fund	-	-	-	-	-	23,903	6,028	-	17,875
Title I	(24,784)	337,952	355,676	-	(42,508)	402,925	373,839	-	(13,422)
Medicaid Reimbursement - Federal	14,078	-	6,312	15,816	23,582	-	1,359	14,762	36,985
Improving Teaching Quality, No Child Left, Title II, Part A	(1,074)	40,383	49,067	-	(9,758)	173,841	195,301	-	(31,218)
Rural Schools and Low Income Program - Pass Through State	(573)	38,106	41,148	-	(3,615)	56,751	53,136	-	-
Meal Tracker Deposits	1,483	177,613	173,910	-	5,186	197,050	195,857	-	6,379
Payroll Withholding	-	2,381,250	2,381,218	-	32	2,421,708	2,421,724	-	16
Totals	\$ 3,519,589	\$ 20,275,965	\$ 20,187,779	\$ 45,349	\$ 3,653,124	\$ 20,411,880	\$ 20,496,491	\$ 41,579	\$ 3,610,092

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

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Local sources. 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.

PAOLI COMMUNITY 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, funds held temporarily for an authorized recipient, 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:

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

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

Note 8. Restatements and Reclassifications

For the year ended June 30, 2014, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances:

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Fund	Balance as Reported June 30, 2013	Prior Period Adjustment	Balance as Restated July 1, 2013
Education Technology	\$ (28,681)	\$ 28,681	\$ -
OOCF Block Grant	-	1,664	1,664
Target Award	-	30	30
Special Education Improvement Award 2013	-	(30,375)	(30,375)
School Lunch	134,842	(1,483)	133,359
Meal Tracker Deposits	-	1,483	1,483

Note 9. Holding Corporation

The School Corporation has entered into capital leases with the Paoli Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2014 and 2015 totaled \$498,480 and \$499,280, respectively.

Note 10. Subsequent Events

The School Corporation entered into a new lease rental agreement with the Paoli Community School Building Corporation. The new 20-year lease is for \$2,830,000. The first lease payment of \$35,000 was due on January 15, 2016.

Note 11. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses the following benefits: health/life/vision insurance. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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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 School Corporation's Financial Reports 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.

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Self-Insurance	Levy Excess
Cash and investments - beginning	\$ 1,498,854	\$ 423,224	\$ 13,386	\$ 207,353	\$ 45,862	\$ 500,000	\$ 133,359	\$ 104,797	\$ 349,739	\$ -
Receipts:										
Local sources	123,466	1,425,369	870,122	730,498	96,379	-	184,865	(17,853)	1,771,374	-
Intermediate sources	2,139	-	-	-	-	-	-	-	-	-
State sources	10,906,190	-	-	-	-	-	9,965	224,125	-	-
Federal sources	12,284	-	-	-	-	-	479,795	-	-	-
Other receipts	9,462	-	-	61	-	-	-	-	-	-
Total receipts	11,053,541	1,425,369	870,122	730,559	96,379	-	674,625	206,272	1,771,374	-
Disbursements:										
Instruction	7,927,687	-	-	-	-	53,425	-	130	-	-
Support services	2,855,358	-	479,062	676,799	78,872	-	-	331,676	-	-
Noninstructional services	235,740	-	-	-	-	-	699,727	-	-	-
Facilities acquisition and construction	2,910	-	195,319	-	-	-	-	1,091	-	-
Debt services	-	1,349,722	55,374	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	1,760,837	-
Total disbursements	11,021,695	1,349,722	729,755	676,799	78,872	53,425	699,727	332,897	1,760,837	-
Excess (deficiency) of receipts over disbursements	31,846	75,647	140,367	53,760	17,507	(53,425)	(25,102)	(126,625)	10,537	-
Other financing sources (uses):										
Sale of capital assets	796	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	53,425	-	-	-	-
Transfers out	(24,816)	-	(53,425)	-	-	-	-	-	-	-
Total other financing sources (uses)	(24,020)	-	(53,425)	-	-	53,425	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,826	75,647	86,942	53,760	17,507	-	(25,102)	(126,625)	10,537	-
Cash and investments - ending	\$ 1,506,680	\$ 498,871	\$ 100,328	\$ 261,113	\$ 63,369	\$ 500,000	\$ 108,257	\$ (21,828)	\$ 360,276	\$ -

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Educational License Plates	Safe School Haven	Safe Haven Grant 13/14	Scholarships and Awards	Crowe Educator Award	Jennifer Lunbergan Award	Miscellaneous Programs	Riverboat Casino	13-14 Making A Difference Grant
Cash and investments - beginning	\$ 751	\$ 3,284	\$ -	\$ 73,014	\$ -	\$ -	\$ 4,203	\$ 201,880	\$ -
Receipts:									
Local sources	-	-	-	34	500	-	3,944	-	-
Intermediate sources	149	-	-	-	-	-	-	300,738	14,944
State sources	-	12,902	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	1,000	-	-	-	-	-
Total receipts	149	12,902	-	1,034	500	-	3,944	300,738	14,944
Disbursements:									
Instruction	-	16,186	-	-	-	-	2,188	-	14,944
Support services	-	-	-	-	-	-	-	5,436	-
Noninstructional services	-	-	-	-	500	-	150	500	-
Facilities acquisition and construction	-	-	-	-	-	-	-	80,600	-
Debt services	-	-	-	-	-	-	-	216,775	-
Nonprogrammed charges	-	-	-	31,300	-	-	-	-	-
Total disbursements	-	16,186	-	31,300	500	-	2,338	303,311	14,944
Excess (deficiency) of receipts over disbursements	149	(3,284)	-	(30,266)	-	-	1,606	(2,573)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	44,300	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	44,300	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	149	(3,284)	-	14,034	-	-	1,606	(2,573)	-
Cash and investments - ending	\$ 900	\$ -	\$ -	\$ 87,048	\$ -	\$ -	\$ 5,809	\$ 199,307	\$ -

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Gifted And Talented	G/T Grant 2014/15	OCCF Block Grant	Target Award	Special Education Improvement Award 2013	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Grants [IC 20-40-15]
Cash and investments - beginning	\$ 316	\$ -	\$ 1,664	\$ 30	\$ (30,375)	\$ -	\$ 449	\$ (1,351)	\$ -
Receipts:									
Local sources	-	-	1,701	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	30,333	-	-	-	-	32,582	-	3,617	-
Federal sources	-	-	-	-	69,975	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	30,333	-	1,701	-	69,975	32,582	-	3,617	-
Disbursements:									
Instruction	28,101	-	977	-	39,600	-	-	6,080	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	800	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	32,582	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	28,101	-	1,777	-	39,600	32,582	-	6,080	-
Excess (deficiency) of receipts over disbursements	2,232	-	(76)	-	30,375	-	-	(2,463)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	253	-
Transfers in	-	-	-	-	-	-	-	9,000	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	9,253	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,232	-	(76)	-	30,375	-	-	6,790	-
Cash and investments - ending	\$ 2,548	\$ -	\$ 1,588	\$ 30	\$ -	\$ -	\$ 449	\$ 5,439	\$ -

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Excess PTRC Distributions	Chromebook Fund	Title I	Medicaid Reimbursement - Federal	Improving Teaching Quality, No Child Left, Title II, Part A	Rural Schools and Low Income Program - Pass Through State	Meal Tracker Deposits	Payroll Withholding	Totals
Cash and investments - beginning	\$ 20	\$ -	\$ (24,784)	\$ 14,078	\$ (1,074)	\$ (573)	\$ 1,483	\$ -	\$ 3,519,589
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,190,399
Intermediate sources	-	-	-	-	-	-	-	-	317,970
State sources	-	-	-	-	-	-	-	-	11,219,714
Federal sources	1	-	337,952	-	40,383	38,106	-	-	978,496
Other receipts	-	-	-	-	-	-	177,613	2,381,250	2,569,386
Total receipts	1	-	337,952	-	40,383	38,106	177,613	2,381,250	20,275,965
Disbursements:									
Instruction	-	-	352,609	5,662	49,067	41,148	-	-	8,537,804
Support services	-	-	3,067	650	-	-	-	-	4,430,920
Noninstructional services	-	-	-	-	-	-	-	-	937,417
Facilities acquisition and construction	-	-	-	-	-	-	-	-	312,502
Debt services	-	-	-	-	-	-	-	-	1,621,871
Nonprogrammed charges	-	-	-	-	-	-	173,910	2,381,218	4,347,265
Total disbursements	-	-	355,676	6,312	49,067	41,148	173,910	2,381,218	20,187,779
Excess (deficiency) of receipts over disbursements	1	-	(17,724)	(6,312)	(8,684)	(3,042)	3,703	32	88,186
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	45,349
Transfers in	-	-	-	15,816	-	-	-	-	78,241
Transfers out	-	-	-	-	-	-	-	-	(78,241)
Total other financing sources (uses)	-	-	-	15,816	-	-	-	-	45,349
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1	-	(17,724)	9,504	(8,684)	(3,042)	3,703	32	133,535
Cash and investments - ending	\$ 21	\$ -	\$ (42,508)	\$ 23,582	\$ (9,758)	\$ (3,615)	\$ 5,186	\$ 32	\$ 3,653,124

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Self-Insurance	Levy Excess
Cash and investments - beginning	\$ 1,506,680	\$ 498,871	\$ 100,328	\$ 261,113	\$ 63,369	\$ 500,000	\$ 108,257	\$ (21,828)	\$ 360,276	\$ -
Receipts:										
Local sources	143,493	1,343,686	899,156	709,105	78,597	-	206,378	244	1,730,406	101,516
Intermediate sources	23	-	-	-	-	-	-	-	-	-
State sources	10,841,116	-	-	-	-	-	8,117	254,102	-	-
Federal sources	12,018	-	-	-	-	-	459,439	-	-	152
Other receipts	250	-	-	-	-	-	-	-	-	-
Total receipts	<u>10,996,900</u>	<u>1,343,686</u>	<u>899,156</u>	<u>709,105</u>	<u>78,597</u>	<u>-</u>	<u>673,934</u>	<u>254,346</u>	<u>1,730,406</u>	<u>101,668</u>
Disbursements:										
Instruction	7,963,028	-	-	-	-	-	-	-	-	-
Support services	3,054,585	-	459,642	698,971	78,851	-	-	175,374	-	-
Noninstructional services	233,885	-	-	-	-	-	725,432	-	-	-
Facilities acquisition and construction	2,935	-	437,948	-	-	-	-	-	-	-
Debt services	2,873	1,327,419	55,373	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	1,660,754	-
Total disbursements	<u>11,257,306</u>	<u>1,327,419</u>	<u>952,963</u>	<u>698,971</u>	<u>78,851</u>	<u>-</u>	<u>725,432</u>	<u>175,374</u>	<u>1,660,754</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(260,406)</u>	<u>16,267</u>	<u>(53,807)</u>	<u>10,134</u>	<u>(254)</u>	<u>-</u>	<u>(51,498)</u>	<u>78,972</u>	<u>69,652</u>	<u>101,668</u>
Other financing sources (uses):										
Sale of capital assets	40,279	-	-	-	-	-	-	-	-	-
Transfers in	12,080	3,988	2,750	2,231	246	-	-	-	-	-
Transfers out	(14,762)	-	-	(12,080)	-	-	-	-	-	(9,215)
Total other financing sources (uses)	<u>37,597</u>	<u>3,988</u>	<u>2,750</u>	<u>(9,849)</u>	<u>246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,215)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(222,809)</u>	<u>20,255</u>	<u>(51,057)</u>	<u>285</u>	<u>(8)</u>	<u>-</u>	<u>(51,498)</u>	<u>78,972</u>	<u>69,652</u>	<u>92,453</u>
Cash and investments - ending	<u>\$ 1,283,871</u>	<u>\$ 519,126</u>	<u>\$ 49,271</u>	<u>\$ 261,398</u>	<u>\$ 63,361</u>	<u>\$ 500,000</u>	<u>\$ 56,759</u>	<u>\$ 57,144</u>	<u>\$ 429,928</u>	<u>\$ 92,453</u>

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Educational License Plates	Safe School Haven	Safe Haven Grant 13/14	Scholarships and Awards	Crowe Educator Award	Jennifer Lunbergan Award	Miscellaneous Programs	Riverboat Casino	13-14 Making A Difference Grant
Cash and investments - beginning	\$ 900	\$ -	\$ -	\$ 87,048	\$ -	\$ -	\$ 5,809	\$ 199,307	\$ -
Receipts:									
Local sources	-	-	-	34	500	654	3,022	-	-
Intermediate sources	150	-	-	-	-	-	-	265,843	-
State sources	-	-	7,460	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	150	-	7,460	34	500	654	3,022	265,843	-
Disbursements:									
Instruction	-	-	7,460	-	-	-	2,099	958	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	500	-	843	2,500	-
Facilities acquisition and construction	-	-	-	-	-	-	-	32,810	-
Debt services	-	-	-	-	-	-	-	219,238	-
Nonprogrammed charges	-	-	-	1,300	-	650	-	-	-
Total disbursements	-	-	7,460	1,300	500	650	2,942	255,506	-
Excess (deficiency) of receipts over disbursements	150	-	-	(1,266)	-	4	80	10,337	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	1,300	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	1,300	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	150	-	-	34	-	4	80	10,337	-
Cash and investments - ending	\$ 1,050	\$ -	\$ -	\$ 87,082	\$ -	\$ 4	\$ 5,889	\$ 209,644	\$ -

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Gifted And Talented	G/T Grant 2014/15	OCCF Block Grant	Target Award	Special Education Improvement Award 2013	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Grants [IC 20-40-15]
Cash and investments - beginning	\$ 2,548	\$ -	\$ 1,588	\$ 30	\$ -	\$ -	\$ 449	\$ 5,439	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	30,635	-	-	-	27,161	-	3,670	-
Federal sources	-	-	-	-	-	-	-	8,775	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	30,635	-	-	-	27,161	-	12,445	-
Disbursements:									
Instruction	2,548	27,961	-	30	-	-	-	10,178	35,841
Support services	-	-	-	-	-	10,000	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	17,161	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	100	-	-	-	-	-	-
Total disbursements	2,548	27,961	100	30	-	27,161	-	10,178	35,841
Excess (deficiency) of receipts over disbursements	(2,548)	2,674	(100)	(30)	-	-	-	2,267	(35,841)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,548)	2,674	(100)	(30)	-	-	-	2,267	(35,841)
Cash and investments - ending	\$ -	\$ 2,674	\$ 1,488	\$ -	\$ -	\$ -	\$ 449	\$ 7,706	\$ (35,841)

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Excess PTRC Distributions	Chromebook Fund	Title I	Medicaid Reimbursement - Federal	Improving Teaching Quality, No Child Left, Title II, Part A	Rural Schools and Low Income Program - Pass Through State	Meal Tracker Deposits	Payroll Withholding	Totals
Cash and investments - beginning	\$ 21	\$ -	\$ (42,508)	\$ 23,582	\$ (9,758)	\$ (3,615)	\$ 5,186	\$ 32	\$ 3,653,124
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,216,791
Intermediate sources	-	-	-	-	-	-	-	-	266,016
State sources	-	-	-	-	-	-	-	-	11,172,261
Federal sources	-	-	402,925	-	173,841	56,751	-	-	1,113,901
Other receipts	-	23,903	-	-	-	-	197,050	2,421,708	2,642,911
Total receipts	-	23,903	402,925	-	173,841	56,751	197,050	2,421,708	20,411,880
Disbursements:									
Instruction	-	6,028	373,517	300	192,543	53,136	-	-	8,675,627
Support services	-	-	322	1,059	2,758	-	-	-	4,481,562
Noninstructional services	-	-	-	-	-	-	-	-	963,160
Facilities acquisition and construction	-	-	-	-	-	-	-	-	490,854
Debt services	-	-	-	-	-	-	-	-	1,604,903
Nonprogrammed charges	-	-	-	-	-	-	195,857	2,421,724	4,280,385
Total disbursements	-	6,028	373,839	1,359	195,301	53,136	195,857	2,421,724	20,496,491
Excess (deficiency) of receipts over disbursements	-	17,875	29,086	(1,359)	(21,460)	3,615	1,193	(16)	(84,611)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	41,579
Transfers in	-	-	-	14,762	-	-	-	-	36,057
Transfers out	-	-	-	-	-	-	-	-	(36,057)
Total other financing sources (uses)	-	-	-	14,762	-	-	-	-	41,579
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	17,875	29,086	13,403	(21,460)	3,615	1,193	(16)	(43,032)
Cash and investments - ending	\$ 21	\$ 17,875	\$ (13,422)	\$ 36,985	\$ (31,218)	\$ -	\$ 6,379	\$ 16	\$ 3,610,092

PAOLI COMMUNITY 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>\$ 509,504</u>	<u>\$ 80,482</u>

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Paoli Community School Building Corporation	Renovation and Improvements to Paoli Jr.-Sr. High School	\$ 286,500	8/1/2009	12/31/2020
Paoli Community School Building Corporation	Renovation and Improvements to Paoli Jr.-Sr. High School	220,000	8/1/2009	12/31/2020
Paoli Community School Building Corporation	Outdoor Activity Building Project	<u>35,000</u>	10/13/2014	1/15/2035
Total of annual lease payments		<u>\$ 541,500</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Purchase Computers	\$ 27,170	\$ 27,686
Notes and loans payable	Common School Loans	<u>9,891,829</u>	<u>953,067</u>
Totals		<u>\$ 9,918,999</u>	<u>\$ 980,753</u>

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PAOLI COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2015

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 212,393
Buildings	47,348,381
Improvements other than buildings	2,007,258
Machinery, equipment, and vehicles	6,191,072
Total governmental activities	55,759,104
Total capital assets	\$ 55,759,104

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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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 PAOLI COMMUNITY SCHOOL
CORPORATION, ORANGE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Paoli Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2013 to June 30, 2015. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in item 2015-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management and Reporting that are applicable to its Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on (identify the major federal program) for the period of July 1, 2013 to June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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


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

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

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, and 2015-005 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

July 13, 2017

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.

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY13-14	\$ -	\$ 122,694	\$ -	\$ -
School Breakfast Program		10.553	FY14-15	-	-	-	117,195
Total - School Breakfast Program				-	122,694	-	117,195
National School Lunch Program	Indiana Department of Education	10.555	FY13-14	-	362,281	-	-
National School Lunch Program		10.555	FY14-15	-	-	-	347,642
National School Lunch Program - Commodities	Indiana Department of Education	10.555	FY13-14	-	47,104	-	-
National School Lunch Program - Commodities		10.555	FY14-15	-	-	-	50,878
Total - National School Lunch Program				-	409,385	-	398,520
Total - Child Nutrition Cluster				-	532,079	-	515,715
Total - Department of Agriculture				-	532,079	-	515,715
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
Special Education Improvement Award			2012	-	69,975	-	-
Part B 611 FY 2013			14213-056-PN01	-	72,009	-	72
Part B 611 FY 2014			14214-056-PN01	-	279,185	-	97,609
Special Education Technical Assistance			99914-056-TA01	-	3,641	-	1,902
Part B 611 FY 2015			14215-056-PN01	-	-	-	269,290
Total Special Education_Grants to States				-	424,810	-	368,873

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

PAOLI COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2014 and 2015
 (Continued)

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
<u>Department of Education (continued)</u>							
Special Education Cluster (IDEA) (continued)							
Special Education _Preschool Grants	Indiana Department of Education	84.173					
FY 2012-14			45713-056-PN01	-	12,048	-	-
FY 2013-15			45714-056-PN01	-	10,793	-	9,496
FY 2014-16			45715-056-PN01	-	-	-	9,463
Total Special Education_Preschool Grants				-	22,841	-	18,959
Total - Special Education Cluster (IDEA)				-	447,651	-	387,832
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			13-6155	-	68,409	-	-
Title I			14-6155	-	269,542	-	94,159
Title I			15-6155	-	-	-	308,765
Total - Title I Grants to Local Educational Agencies				-	337,951	-	402,924
Rural Education	Indiana Department of Education	84.358					
Rural and Low Income			FY11-12	-	15,732	-	-
Rural and Low Income			FY12-13	-	22,375	-	9,511
Rural and Low Income			FY13-14	-	-	-	31,786
Rural and Low Income			FY14-15	-	-	-	15,455
Total - Rural Education				-	38,107	-	56,752
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
Title II Part A			FY12	-	40,383	-	51,536
Title II Part A			FY13	-	-	-	65,145
Title II Part A			FY14	-	-	-	57,160
Total - Improving Teacher Quality State Grants				-	40,383	-	173,841
Total - Department of Education				-	864,092	-	1,021,349
Total federal awards expended				\$ -	\$ 1,396,171	\$ -	\$ 1,537,064

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

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-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 is a member of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operates the Special Education program for the School. As a result, some activity for the Special Education Cluster that is presented on the Schedule of Expenditures of Federal Awards is not presented as receipts and disbursements in the financial statement for the school. This activity is reported on the financial statement of the Cooperative.

PAOLI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2015-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

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

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer entered the grant information which was used to prepare the SEFA and no evidence was presented that would indicate there was oversight, review, approval, or other compensating controls in place to verify the accuracy of the information and amounts.

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 established a system of internal control over preparation of the SEFA.

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.

FINDING 2015-002

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

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 the reporting of corporation receipts and food service program receipts. These deficiencies constitute material weaknesses.

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

The Treasurer wrote receipts for the School Corporation collections. She ran edit reports of the receipts, and the Superintendent of Schools' Secretary would review the receipts and verify they agreed with the deposits. However, there was no audit trail to verify that this control process had been completed.

Parents and students made payments on lunch accounts at each building. The money was collected by the Extracurricular Treasurer in each building; however, they did not write receipts for the amounts collected. At the end of each day, the School Lunch Treasurer would pick up the collections, deposit the money in the bank, and record the receipts to the student's accounts. No controls could be identified over the receipts collected by the Extracurricular Treasurers.

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 established a system of internal control that would ensure proper reporting of receipts.

Effect

The failure to establish these 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.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-003

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/
Cost Principles, Cash Management, 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): FY13-6155, FY14-6155, FY15-6155

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management, Reporting

Audit Finding: Material Weakness

Condition

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Allowable Costs/Cost Principles, Cash Management, and Reporting.

Allowable Costs/Cost Principles

An effective internal control system was not in place to ensure that Circular A-87 regulations for time and effort reporting were adhered to. The Semi-Annual Certifications were prepared by the Title I Coordinator with no oversight, reviews, or approvals.

Cash Management and Reporting

An effective internal control system was not in place to ensure that required reports were accurately prepared and submitted. The Treasurer prepared the Reimbursement Requests and Final Expenditure Reports and submitted them to the Indiana Department of Education. There was no oversight, reviews, or approval process to verify the accuracy of the amounts reported.

Context

Controls did not exist over the compliance requirements listed above for the entire 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.

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Subject: Special Education_Grants to States and Special Education_Preschool Grants -
Cash Management and Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-056-PN01, 14214-056-PN01,
14215-056-PN01, 99914-056-TA01,
45713-056-PN01, 45714-056-PN01,
45715-056-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Findings: Material Weakness, Other Matters/Modified Opinion

Condition

The School Corporation was a member of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds.

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

The supporting documentation attached to the reimbursement forms was a detail subtotal by fund by object code report, which was a summary listing of expenses grouped by fund and object code with no detail of the actual expenses incurred. The supporting documentation did not consistently agree with the amounts requested for reimbursement or the total expenses to date that were reported. The School Corporation claimed and received reimbursements for expenditures that were not incurred and/or paid prior to the date of claiming the reimbursement.

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

Context

The amount requested for reimbursement and the reported amount of total expenses to date could not be verified to supporting documentation for 7 of the 12 reimbursement forms tested. The total amount claimed for reimbursement for each grant agreed to the grant award amounts.

Criteria

34 CFR 80.20(b) states in part:

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

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

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

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 of the School Corporation had not developed a system of internal controls that would have ensured that the Cooperative complied with the Cash Management and Reporting compliance requirements.

Effect

The failure to establish an effective internal control system caused the School Corporation to be in noncompliance with the grant agreement and the compliance requirements. A lack of internal control system could also have allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative to ensure compliance with 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 2015-005

Subject: Special Education_Grants to States and Special Education_Preschool Grants -
Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-056-PN01, 14214-056-PN01,
14215-056-PN01, 99914-056-TA01,
45713-056-PN01, 45714-056-PN01,
45715-056-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds.

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

The Cooperative's Director signed the Application and Assurance Plan as a condition of federal assistance which states that the Cooperative will check the subcontractors to make sure that they are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded by any federal agency or by any department, agency or political subdivision of the State of Indiana. However, the School Corporation did not have procedures in place to verify that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to entering into a contract with them.

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

Context

There were two contracts during 2013-2014 and three contracts during 2014-2015 that exceeded \$25,000; however, the Cooperative did not verify that the vendors were not suspended or debarred prior to awarding these contracts.

Criteria

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

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 of the School Corporation had not developed a system of internal controls that would have ensured that the Cooperative complied with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled the School Corporation to be in noncompliance with the compliance requirement and the grant agreement. A lack of internal control system could also have allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative to ensure compliance with the grant agreement and the compliance requirement listed above.

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 DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.

PAOLI COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

CASEY BREWSTER
SUPERINTENDENT OF SCHOOLS

501 ELM STREET OFC SUPT
PAOLI, INDIANA 47454-1197
TELEPHONE: (812) 723-4717
FAX: (812) 723-5100

JULIE OSBORN
TREASURER

LISA MUTH
SECRETARY

CINDY EUBANK
DEPUTY TREASURER

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Julie M. Osborn, Treasurer
Contact Phone Number: (812) 723-4717

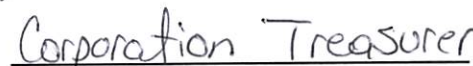
Views of Responsible Official: We concur with the finding.


Description of Corrective Action Plan:

- The Treasurer developed new procedures in August of 2015 in regards to internal controls of the SEFA report.
- The Superintendent now reviews the grant information entered on the SEFA report by the treasurer and approves the report and confirms the information and amounts are accurate.

Anticipated Completion Date: Completed August, 2015.


(Signature)


(Title)


(Date)

PAOLI COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

CASEY BREWSTER
SUPERINTENDENT OF SCHOOLS

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JULIE OSBORN
TREASURER

LISA MUTH
SECRETARY

CINDY EUBANK
DEPUTY TREASURER

CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Julie M. Osborn, Treasurer & Courtney Brown, Centralized School Lunch Treasurer
Contact Phone Number: (812) 723-4717 & (812) 723-3537

Views of Responsible Official: We concur with the finding.

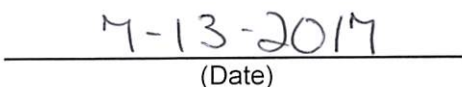
Description of Corrective Action Plan:

- The Treasurer has already developed new procedures and will implement additional internal control procedures in regards to School Corporation collections and lunch account payments.
- The Treasurer has the Superintendent's Secretary review receipts and verify they match deposits. The Secretary will also date and sign the receipts as acknowledgement of review and accuracy.
- The Extra-Curricular Treasurer in each building will issue receipts for amounts collected for the lunch account. The Centralized School Lunch Treasurer will verify the amount received matches the receipts and make the deposit and post to the student's accounts.

Anticipated Completion Date: Corporation Actions-Completed July, 2015
School Lunch Actions-Effective Immediately


(Signature)


(Title)


(Date)

PAOLI COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

CASEY BREWSTER
SUPERINTENDENT OF SCHOOLS

501 ELM STREET OFC SUPT
PAOLI, INDIANA 47454-1197
TELEPHONE: (812) 723-4717
FAX: (812) 723-5100

JULIE OSBORN
TREASURER

LISA MUTH
SECRETARY

CINDY EUBANK
DEPUTY TREASURER

CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Larry Hollan, Title I Coordinator & Julie M. Osborn, Treasurer

Contact Phone Number: (812) 723-3537 & (812) 723-4717

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

- The Title I Program Administrator creates the split funded time and effort log. It is reviewed and signed by the Superintendent.
- The Title I Program Administrator will prepare the semi-annual certification. This will be reviewed and verified by the Deputy Treasurer in charge of payroll.
- The Treasurer developed new procedures in November of 2015 in regards to cash management and reporting of Title I.
- The Superintendent now reviews the Reimbursement Requests and required reports for accuracy and approval.

Anticipated Completion Date: Cash Management and Reporting-Completed November, 2015.
Allowable Cost/Cost Principles-Effective immediately


(Signature)

Corporation Treasurer
(Title)

11-13-2017
(Date)

PAOLI COMMUNITY SCHOOL CORPORATION

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TREASURER

LISA MUTH
SECRETARY

CINDY EUBANK
DEPUTY TREASURER

CORRECTIVE ACTION PLAN

FINDING 2015-004

Contact Person Responsible for Corrective Action: Superintendent of Schools
Contact Phone Number: (812) 723-4717

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

- Additional internal control procedures will be implemented to ensure the Cooperative complies with requirements that expenditures are incurred prior to date of claiming reimbursement and that the amounts claimed and reported agree with supporting documentation in accordance with federal requirements.

Anticipated Completion Date: Effective Immediately


(Signature)

Corporation Treasurer
(Title)

7-13-2017
(Date)

PAOLI COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

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JULIE OSBORN
TREASURER

LISA MUTH
SECRETARY

CINDY EUBANK
DEPUTY TREASURER

CORRECTIVE ACTION PLAN

FINDING 2015-005

Contact Person Responsible for Corrective Action: Superintendent of Schools
Contact Phone Number: (812) 723-4717

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

- An additional internal control procedure will be implemented to ensure the Cooperative complies with all federal and state laws by searching the System of Award Manager Center website (www.sam.gov) before entering in any contract exceeding \$25,000.00

Anticipated Completion Date: Effective Immediately



(Signature)

Corporation Treasurer

(Title)

7-13-2017

(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/>.