

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

EAST PORTER COUNTY
SCHOOL CORPORATION
PORTER COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
06/16/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lisa Rosinko	07-01-15 to 06-30-18
Superintendent of Schools	Dr. Rodney Gardin	07-01-15 to 06-30-18
President of the School Board	Jill Bibler Frank Dessuit Richard McSparin	01-01-15 to 12-31-15 01-01-16 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the East Porter County School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, 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, 2015 to June 30, 2017.

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, 2015 to June 30, 2017, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 May 24, 2018, 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 solely 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 effectiveness of the School Corporation's 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

May 24, 2018



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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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 EAST PORTER COUNTY SCHOOL
CORPORATION, PORTER COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the East Porter County School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated May 24, 2018, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a material weakness.

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

Compliance and Other Matters

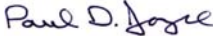
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

East Porter County 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 24, 2018

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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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EAST PORTER COUNTY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2016 and 2017

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
General	\$ 2,714,339	\$ 15,074,185	\$ 14,629,600	\$ 2,494	\$ 3,161,418	\$ 15,761,127	\$ 15,192,901	\$ -	\$ 3,729,644
Debt Service	3,127,719	5,371,813	5,271,598	(45,338)	3,182,596	5,240,507	5,270,965	(19,919)	3,132,219
Retirement/Severance Bond Debt Service	184,931	313,420	326,897	-	171,454	285,808	287,473	-	169,789
Capital Projects	297,612	2,150,828	2,080,287	-	368,153	2,314,031	2,181,308	-	500,876
School Transportation	535,443	1,171,283	1,118,419	(350,000)	238,307	1,247,316	1,077,178	(200,000)	208,445
School Bus Replacement	331,646	322,504	50,032	-	604,118	344,017	207,213	-	740,922
Rainy Day	3,221,585	-	579,261	350,000	2,992,324	-	384,637	200,000	2,807,687
Construction	-	-	-	-	-	175,000	38,550	-	136,450
School Lunch	299,835	891,659	1,095,695	-	95,799	998,382	1,067,402	-	26,779
Textbook Rental	295,169	288,198	249,112	45,338	379,593	239,641	375,339	19,919	263,814
Levy Excess	2,493	-	-	(2,493)	-	-	-	-	-
Educational License Plates	326	244	-	-	570	188	-	-	758
School Intervention and Career Counseling	-	-	-	-	-	9,243	4,100	-	5,143
E- Learning	-	-	-	-	-	2,833	608	-	2,225
Kouts Bleacher	816	-	-	-	816	-	-	-	816
Gifts/Donation	19,260	2,400	6,856	-	14,804	1,300	4,137	-	11,967
Formative Assessment	-	-	-	-	-	25,587	25,587	-	-
Early Intervention Literacy	-	20,109	17,072	-	3,037	-	3,037	-	-
High Ability	13,275	37,171	46,283	-	4,163	50,535	45,742	-	8,956
Computer Consortium/Ed Tech Advance	-	323,811	342,863	-	(19,052)	277,452	262,360	-	(3,960)
Secured Schools Safety Grant	-	-	1,558	-	(1,558)	69,058	67,500	-	-
Scholarships and Awards	100,521	-	2,500	-	98,021	-	-	-	98,021
School Technology	94,403	17,489	13,081	-	98,811	22,340	29,444	-	91,707
CT Performance Technology Grants [IC 20-40-15]	-	-	-	-	-	19,194	19,194	-	-
Construction, Remodeling, and Equipping Buildings	-	100,000	-	-	100,000	-	100,000	-	-
Redevelopment Commission Grant	(11,270)	165,600	159,807	-	(5,477)	165,600	167,623	-	(7,500)
EPCSC Wellness Prog.	1,767	-	1,766	(1)	-	-	-	-	-
Title I	(4,362)	175,150	178,640	-	(7,852)	125,905	136,970	-	(18,917)
Title I Neg. & Del.	(953)	8,986	19,590	-	(11,557)	10,683	-	-	(874)
Improving Teacher Quality, No Child Left, Title II, Part A	(1,640)	46,481	49,671	-	(4,830)	31,607	34,552	-	(7,775)
Prepaid School Meal Accounts	-	27,268	-	-	27,268	594,324	594,716	-	26,876
Clearing Accounts	120,137	3,509,355	3,515,337	-	114,155	3,559,765	3,551,794	-	122,126
Totals	\$ 11,343,052	\$ 30,017,954	\$ 29,755,925	\$ -	\$ 11,605,081	\$ 31,571,443	\$ 31,130,330	\$ -	\$ 12,046,194

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

EAST PORTER COUNTY 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.

EAST PORTER COUNTY 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 service. 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.

EAST PORTER COUNTY 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

EAST PORTER COUNTY 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.

EAST PORTER COUNTY 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 the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2016 and 2017.

Note 8. Holding Corporation

The School Corporation has entered into capital leases with the East Porter County 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 ended June 30, 2016 and 2017, totaled \$5,030,500 and \$5,013,000, respectively.

EAST PORTER COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Events

The School Corporation issued an improvement bond after June 30, 2017, in the amount of \$3,000,000. The proceeds for this bond will support for building improvements to be used School Corporation wide.

The School Corporation plans to approve a building corporation bond lease in the amount of \$15,000,000 during 2018. The building corporation bond lease proceeds will be used for various construction and renovation projects throughout all schools in 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 Indiana Gateway for Government Units 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.

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch
Cash and investments - beginning	\$ 2,714,339	\$ 3,127,719	\$ 184,931	\$ 297,612	\$ 535,443	\$ 331,646	\$ 3,221,585	\$ -	\$ 299,835
Receipts:									
Local sources	312,006	5,371,813	313,420	2,150,828	1,168,436	322,504	-	-	559,832
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	14,762,179	-	-	-	-	-	-	-	17,832
Federal sources	-	-	-	-	-	-	-	-	313,995
Other receipts	-	-	-	-	2,847	-	-	-	-
Total receipts	15,074,185	5,371,813	313,420	2,150,828	1,171,283	322,504	-	-	891,659
Disbursements:									
Instruction	10,808,327	-	-	-	-	-	88,806	-	-
Support services	3,538,733	-	-	878,547	1,118,419	50,032	358,285	-	15,781
Noninstructional services	282,345	-	-	-	-	-	-	-	1,063,514
Facilities acquisition and construction	-	-	-	1,201,740	-	-	132,170	-	16,400
Debt service	195	5,271,598	326,897	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	14,629,600	5,271,598	326,897	2,080,287	1,118,419	50,032	579,261	-	1,095,695
Excess (deficiency) of receipts over disbursements	444,585	100,215	(13,477)	70,541	52,864	272,472	(579,261)	-	(204,036)
Other financing sources (uses):									
Transfers in	2,494	-	-	-	-	-	350,000	-	-
Transfers out	-	(45,338)	-	-	(350,000)	-	-	-	-
Total other financing sources (uses)	2,494	(45,338)	-	-	(350,000)	-	350,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	447,079	54,877	(13,477)	70,541	(297,136)	272,472	(229,261)	-	(204,036)
Cash and investments - ending	\$ 3,161,418	\$ 3,182,596	\$ 171,454	\$ 368,153	\$ 238,307	\$ 604,118	\$ 2,992,324	\$ -	\$ 95,799

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Textbook Rental	Levy Excess	Educational License Plates	School Intervention and Career Counseling	E- Learning	Kouts Bleacher	Gifts/Donation	Formative Assessment
Cash and investments - beginning	\$ 295,169	\$ 2,493	\$ 326	\$ -	\$ -	\$ 816	\$ 19,260	\$ -
Receipts:								
Local sources	248,891	-	-	-	-	-	2,400	-
Intermediate sources	-	-	244	-	-	-	-	-
State sources	39,307	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	288,198	-	244	-	-	-	2,400	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	249,112	-	-	-	-	-	6,856	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	249,112	-	-	-	-	-	6,856	-
Excess (deficiency) of receipts over disbursements	39,086	-	244	-	-	-	(4,456)	-
Other financing sources (uses):								
Transfers in	45,338	-	-	-	-	-	-	-
Transfers out	-	(2,493)	-	-	-	-	-	-
Total other financing sources (uses)	45,338	(2,493)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	84,424	(2,493)	244	-	-	-	(4,456)	-
Cash and investments - ending	\$ 379,593	\$ -	\$ 570	\$ -	\$ -	\$ 816	\$ 14,804	\$ -

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Early Intervention Literacy	High Ability	Computer Consortium/ Ed Tech Advance	Secured Schools Safety Grant	Scholarships and Awards	School Technology	CT Performance Technology Grants [IC 20-40-15]	Construction, Remodeling, and Equipping Buildings
Cash and investments - beginning	\$ -	\$ 13,275	\$ -	\$ -	\$ 100,521	\$ 94,403	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	8,765	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	20,109	37,171	323,811	-	-	8,724	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	100,000
Total receipts	20,109	37,171	323,811	-	-	17,489	-	100,000
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	17,072	46,283	66,575	1,558	2,500	8,480	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	184,461	-	-	4,601	-	-
Debt service	-	-	91,827	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	17,072	46,283	342,863	1,558	2,500	13,081	-	-
Excess (deficiency) of receipts over disbursements	3,037	(9,112)	(19,052)	(1,558)	(2,500)	4,408	-	100,000
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	3,037	(9,112)	(19,052)	(1,558)	(2,500)	4,408	-	100,000
Cash and investments - ending	\$ 3,037	\$ 4,163	\$ (19,052)	\$ (1,558)	\$ 98,021	\$ 98,811	\$ -	\$ 100,000

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Redevelopment Commission Grant	EPCSC Wellness Prog.	Title I	Title I Neg. & Del.	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid School Meal Accounts	Clearing Accounts	Totals
Cash and investments - beginning	\$ (11,270)	\$ 1,767	\$ (4,362)	\$ (953)	\$ (1,640)	\$ -	\$ 120,137	\$ 11,343,052
Receipts:								
Local sources	165,600	-	-	-	-	-	-	10,624,495
Intermediate sources	-	-	-	-	-	-	-	244
State sources	-	-	-	-	-	-	-	15,209,133
Federal sources	-	-	175,150	8,986	46,481	-	-	544,612
Other receipts	-	-	-	-	-	27,268	3,509,355	3,639,470
Total receipts	165,600	-	175,150	8,986	46,481	27,268	3,509,355	30,017,954
Disbursements:								
Instruction	-	-	177,038	19,590	49,671	-	-	11,143,432
Support services	5,477	1,766	1,602	-	-	-	-	6,367,078
Noninstructional services	-	-	-	-	-	-	-	1,345,859
Facilities acquisition and construction	66,522	-	-	-	-	-	-	1,605,894
Debt service	87,808	-	-	-	-	-	-	5,778,325
Nonprogrammed charges	-	-	-	-	-	-	3,515,337	3,515,337
Total disbursements	159,807	1,766	178,640	19,590	49,671	-	3,515,337	29,755,925
Excess (deficiency) of receipts over disbursements	5,793	(1,766)	(3,490)	(10,604)	(3,190)	27,268	(5,982)	262,029
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	397,832
Transfers out	-	(1)	-	-	-	-	-	(397,832)
Total other financing sources (uses)	-	(1)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,793	(1,767)	(3,490)	(10,604)	(3,190)	27,268	(5,982)	262,029
Cash and investments - ending	\$ (5,477)	\$ -	\$ (7,852)	\$ (11,557)	\$ (4,830)	\$ 27,268	\$ 114,155	\$ 11,605,081

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch
Cash and investments - beginning	\$ 3,161,418	\$ 3,182,596	\$ 171,454	\$ 368,153	\$ 238,307	\$ 604,118	\$ 2,992,324	\$ -	\$ 95,799
Receipts:									
Local sources	327,277	5,240,507	285,808	2,204,192	1,241,441	344,017	-	-	670,264
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	15,433,850	-	-	-	-	-	-	-	17,579
Federal sources	-	-	-	-	-	-	-	-	310,539
Other receipts	-	-	-	109,839	5,875	-	-	175,000	-
Total receipts	15,761,127	5,240,507	285,808	2,314,031	1,247,316	344,017	-	175,000	998,382
Disbursements:									
Instruction	11,144,218	-	-	-	-	-	-	-	-
Support services	3,761,729	-	-	962,878	1,077,178	207,213	259,342	-	5,116
Noninstructional services	285,314	-	-	-	-	-	-	-	1,043,948
Facilities acquisition and construction	1,640	-	-	1,218,430	-	-	125,295	38,550	18,338
Debt service	-	5,270,965	287,473	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	15,192,901	5,270,965	287,473	2,181,308	1,077,178	207,213	384,637	38,550	1,067,402
Excess (deficiency) of receipts over disbursements	568,226	(30,458)	(1,665)	132,723	170,138	136,804	(384,637)	136,450	(69,020)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	200,000	-	-
Transfers out	-	(19,919)	-	-	(200,000)	-	-	-	-
Total other financing sources (uses)	-	(19,919)	-	-	(200,000)	-	200,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	568,226	(50,377)	(1,665)	132,723	(29,862)	136,804	(184,637)	136,450	(69,020)
Cash and investments - ending	\$ 3,729,644	\$ 3,132,219	\$ 169,789	\$ 500,876	\$ 208,445	\$ 740,922	\$ 2,807,687	\$ 136,450	\$ 26,779

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Textbook Rental	Levy Excess	Educational License Plates	School Intervention and Career Counseling	E- Learning	Kouts Bleacher	Gifts/Donation	Formative Assessment
Cash and investments - beginning	\$ 379,593	\$ -	\$ 570	\$ -	\$ -	\$ 816	\$ 14,804	\$ -
Receipts:								
Local sources	200,300	-	-	9,243	2,833	-	1,300	-
Intermediate sources	-	-	188	-	-	-	-	-
State sources	39,341	-	-	-	-	-	-	25,587
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	239,641	-	188	9,243	2,833	-	1,300	25,587
Disbursements:								
Instruction	4,388	-	-	-	-	-	100	-
Support services	370,951	-	-	4,100	608	-	4,037	25,587
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	375,339	-	-	4,100	608	-	4,137	25,587
Excess (deficiency) of receipts over disbursements	(135,698)	-	188	5,143	2,225	-	(2,837)	-
Other financing sources (uses):								
Transfers in	19,919	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	19,919	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(115,779)	-	188	5,143	2,225	-	(2,837)	-
Cash and investments - ending	\$ 263,814	\$ -	\$ 758	\$ 5,143	\$ 2,225	\$ 816	\$ 11,967	\$ -

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Early Intervention Literacy	High Ability	Computer Consortium/ Ed Tech Advance	Secured Schools Safety Grant	Scholarships and Awards	School Technology	CT Performance Technology Grants [IC 20-40-15]	Construction, Remodeling, and Equipping Buildings
Cash and investments - beginning	\$ 3,037	\$ 4,163	\$ (19,052)	\$ (1,558)	\$ 98,021	\$ 98,811	\$ -	\$ 100,000
Receipts:								
Local sources	-	-	-	-	-	11,712	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	50,535	277,452	69,058	-	10,628	3,649	-
Federal sources	-	-	-	-	-	-	15,545	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	50,535	277,452	69,058	-	22,340	19,194	-
Disbursements:								
Instruction	-	-	-	-	-	-	19,194	-
Support services	3,037	45,742	76,765	67,500	-	11,984	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	185,595	-	-	17,460	-	100,000
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	3,037	45,742	262,360	67,500	-	29,444	19,194	100,000
Excess (deficiency) of receipts over disbursements	(3,037)	4,793	15,092	1,558	-	(7,104)	-	(100,000)
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	(3,037)	4,793	15,092	1,558	-	(7,104)	-	(100,000)
Cash and investments - ending	\$ -	\$ 8,956	\$ (3,960)	\$ -	\$ 98,021	\$ 91,707	\$ -	\$ -

EAST PORTER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Redevelopment Commission Grant	EPCSC Wellness Prog.	Title I	Title I Neg. & Del.	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid School Meal Accounts	Clearing Accounts	Totals
Cash and investments - beginning	\$ (5,477)	\$ -	\$ (7,852)	\$ (11,557)	\$ (4,830)	\$ 27,268	\$ 114,155	\$ 11,605,081
Receipts:								
Local sources	165,600	-	-	-	-	-	-	10,704,494
Intermediate sources	-	-	-	-	-	-	-	188
State sources	-	-	-	-	-	-	-	15,927,679
Federal sources	-	-	125,905	10,683	31,607	-	-	494,279
Other receipts	-	-	-	-	-	594,324	3,559,765	4,444,803
Total receipts	165,600	-	125,905	10,683	31,607	594,324	3,559,765	31,571,443
Disbursements:								
Instruction	-	-	136,970	-	28,475	-	-	11,333,345
Support services	-	-	-	-	6,077	-	-	6,889,844
Noninstructional services	-	-	-	-	-	-	-	1,329,262
Facilities acquisition and construction	129,016	-	-	-	-	-	-	1,834,324
Debt service	38,607	-	-	-	-	-	-	5,597,045
Nonprogrammed charges	-	-	-	-	-	594,716	3,551,794	4,146,510
Total disbursements	167,623	-	136,970	-	34,552	594,716	3,551,794	31,130,330
Excess (deficiency) of receipts over disbursements	(2,023)	-	(11,065)	10,683	(2,945)	(392)	7,971	441,113
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	219,919
Transfers out	-	-	-	-	-	-	-	(219,919)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,023)	-	(11,065)	10,683	(2,945)	(392)	7,971	441,113
Cash and investments - ending	\$ (7,500)	\$ -	\$ (18,917)	\$ (874)	\$ (7,775)	\$ 26,876	\$ 122,126	\$ 12,046,194

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EAST PORTER COUNTY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2017

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	<u>\$ 685,198</u>	<u>\$ 44,599</u>

EAST PORTER COUNTY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
East Porter County Building Corporation	2015 Building Renovation /Addition	\$ 3,400,500	01/15/2016	07/15/2022
East Porter County Building Corporation	2016 Building Renovation/Addition	<u>1,600,000</u>	04/28/2016	12/31/2031
Total of annual lease payments		<u>\$ 5,000,500</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	2009 Quality School Construction Bond		\$ 1,555,000	\$ 27,368
General obligation bonds	Pension Bonds		565,613	281,350
Notes and loans payable	A1600 Common School Loan		36,400	36,673
Notes and loans payable	A1748 Common School Loan		86,250	35,276
Notes and loans payable	A1813 Common School Loan		164,290	48,466
Notes and loans payable	A1887 Common School Loan		164,290	48,465
Notes and loans payable	A1921 Common School Loan		67,500	15,638
Notes and loans payable	A1967 Common School Loan		57,915	13,417
Notes and loans payable	A2844 Common School Loan		<u>246,022</u>	<u>27,053</u>
Totals			<u>\$ 2,943,280</u>	<u>\$ 533,706</u>

EAST PORTER COUNTY SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2017

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.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 525,885
Infrastructure	1,514,105
Buildings	67,927,544
Improvements other than buildings	1,646,279
Machinery, equipment, and vehicles	<u>7,432,733</u>
Total capital assets	<u>\$ 79,046,546</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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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 EAST PORTER COUNTY SCHOOL
CORPORATION, PORTER COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the East Porter County School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2017-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Reporting that are applicable to its Child Nutrition Cluster. 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 Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* 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 the Child Nutrition Cluster for the period of July 1, 2015 to June 30, 2017.

Unmodified Opinion on Special Education Cluster (IDEA)

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 Special Education Cluster (IDEA) for the period of July 1, 2015 to June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 and 2017-003. 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 the Uniform Guidance, 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.


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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002, 2017-003, and 2017-004, that we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

May 24, 2018

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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EAST PORTER COUNTY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2016 and 2017

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	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY2016, FY2017	\$ -	\$ 26,777	\$ -	\$ 31,439
National School Lunch Program	Indiana Department of Education	10.555	FY2016, FY2017	-	287,218	-	279,100
National School Lunch Program - Commodities			FY2016, FY2017	-	64,440	-	172,772
Total - National School Lunch Program				-	351,658	-	451,872
Total - Child Nutrition Cluster				-	378,435	-	483,311
Total - Department of Agriculture				-	378,435	-	483,311
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027	14214-050-PN01	-	5,961	-	-
			14215-048-PN01	-	131,078	-	5,314
			14216-089-PN01	-	385,890	-	109,495
			14217-048-PN01	-	-	-	412,493
			99914-050-TA01	-	2,028	-	-
Total - Special Education_Grants to States				-	524,957	-	527,302
Special Education_Preschool Grants	Indiana Department of Education	84.173	45716-048-PN01	-	9,819	-	-
			45717-048-PN01	-	-	-	10,389
Total - Special Education_Preschool Grants				-	9,819	-	10,389
Total - Special Education Cluster (IDEA)				-	534,776	-	537,691
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	SY2014-2015	-	26,593	-	-
			SY2015-2016	-	148,557	-	21,393
			SY2016-2017	-	-	-	104,512
Total - Title I Grants to Local Educational Agencies				-	175,150	-	125,905
Title I State Agency Program for Neglected and Delinquent Children and Youth	Indiana Department of Education	84.013	SY2014-2015	-	2,240	-	-
			SY2015-2016	-	6,746	-	10,683
Total - Title I State Agency Program for Neglected and Delinquent Children and Youth				-	8,986	-	10,683
Supporting Effective Instruction State Grants Title II 2014-2016	Indiana Department of Education	84.367	FFY 2014-2016	-	11,946	-	-
			FFY 2015-2017	-	34,535	-	8,106
			FFY 2016-2018	-	-	-	23,501
Total - Supporting Effective Instruction State Grants				-	46,481	-	31,607
Total - Department of Education				-	765,393	-	705,886
Total federal awards expended				\$ -	\$ 1,143,828	\$ -	\$ 1,189,197

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

EAST PORTER COUNTY 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, 2016 and 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) 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 Cooperative.

EAST PORTER COUNTY 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 weakness 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 deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified
Special Education Cluster (IDEA)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

FINDING 2017-001

Subject: 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 compared receipts and accounts payable vouchers to the ledgers each month; however, the review process was not documented.

The individual responsible for processing payroll also input the rates of pay into the computer software. There was not a documented review of the pay rates entered into the system to verify them with either contracts or salary resolutions.

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

Context

The lack of internal controls was a systemic issue throughout the audit period.

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

Effect

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

Recommendation

We recommended that the School Corporation establish a system of internal controls related to financial transactions and reporting.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-002

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, Program Income
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit regarding Allowable Costs/Cost Principles. The prior audit finding number was 2015-002.

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 and Program Income compliance requirements.

The School Corporation had not designed or implemented adequate internal controls to ensure that payroll disbursements were only for food service operating costs, that the supporting documentation agreed with the payroll disbursements recorded as food service operating costs, and that program income was deducted from allowable costs to determine net allowable costs of the programs.

Based upon the payroll operating costs tested, the School Corporation included percentages of administrative and custodian salaries and wages as food service operating costs in the School Lunch fund. This compensation, which was not supported by time cards, related to food service operations totaled \$1,156. When projected to the population as a whole, additional errors of \$16,598 were identified.

In addition, program income was added to the program budget rather than being deducted from total allowable costs to determine the net allowable costs.

Context

The lack of effective controls and the noncompliance were systemic issues 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. . . ."

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . ."

- (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. . . ."

OMB Circular A-87, Attachment A, Part C states in part:

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

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

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

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

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

7 CFR 210.2 states in part: ". . . *Nonprofit school food service* means all food service operations conducted by the school food authority principally for the benefit of schoolchildren, all of the revenue from which is used solely for the operation or improvement of such food services. . . ."

7 CFR 210.14(a) states:

"*Nonprofit school food service*. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*)"

7 CFR 220.2 states in part: ". . . Nonprofit school food service means all food service operations conducted by the School Food Authority principally for the benefit of school children, all of the revenue from which is used solely for the operation or improvement of such food service. . . ."

7 CFR 220.13(i) states:

"Each State agency, or FNS where applicable, shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. The system shall prescribe the allowability of nonprofit school food service expenditures in accordance with this part and 2 CFR part 200, subpart D and E, as applicable, and USDA implementing regulations 2 CFR part 400 and part 415, as applicable. The system shall permit determination of school food service net cash resources, and shall include any criteria for approval of net cash resources in excess of three months average expenditures. In addition, School Food Authorities shall be required to account separately for other food services which are operated by the School Food Authority."

2 CFR 200.307(e) states in part:

"*Use of program income*. If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. For Federal awards made to IHEs and nonprofit research institutions, if the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award how program income is to be used, paragraph (e)(2) of this section must apply. In specifying alternatives to paragraphs (e)(1) and (2) of this section, the Federal awarding agency may distinguish between income earned by the recipient and income earned by subrecipients and between the sources, kinds, or amounts of income. When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures.

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

- (1) *Deduction.* Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project. . . ."

Cause

The School Corporation's management had not designed or implemented internal controls which would have ensured compliance with the Allowable Costs/Cost Principles and Program Income compliance requirements of the programs.

Effect

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

Questioned Costs

Known questioned costs of \$1,156 were identified, as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation establish effective controls to ensure compliance and comply with the Allowable Costs/Cost Principles and Program Income compliance requirements.

Views of Responsible Officials

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

FINDING 2017-003

Subject: Child Nutrition Cluster - Eligibility
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): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Other Matters

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 Eligibility compliance requirement.

The School Corporation had not designed or implemented adequate internal controls to ensure that the eligibility determination for free and reduced price meals were correct. There was an oversight process in place but it was not properly implemented and was not effective.

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

The School Corporation incorrectly determined free meal status for 4 percent of applications tested. The School Corporation approved two applications as eligible for free meals, which should have been approved for reduced price meals and a third application approved for free meals should have been denied, as the applicant was ineligible for free or reduced price meals.

Context

The lack of controls and the noncompliance were systemic issues 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 245.6(c)(4) states:

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

Cause

The School Corporation's management had not implemented an adequate system of internal controls that would have ensured compliance with the Eligibility compliance requirement.

Effect

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

EAST PORTER COUNTY 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 establish effective internal controls to ensure compliance and comply with the grant agreement and the Eligibility 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 2017-004

Subject: Child Nutrition Cluster - Reporting
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): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

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 Reporting compliance requirement.

The School Corporation had not designed adequate internal controls to ensure that the monthly Sponsor Claims (claims for reimbursement) were accurate and supported by detailed documentation. The School Corporation's computer software generated two reports to prepare and support the monthly Sponsor Claims (claims for reimbursement): summary report and detail reports (including cash register tapes).

The monthly Sponsor Claims (claims for reimbursement) were prepared based upon the summary reports. The individual who prepared and reviewed the monthly Sponsor Claims (claims for reimbursement) did not verify that the summary report totals agreed to the detail reports or that the summary report used was for the correct reimbursement period.

The December 1, 2015 monthly Sponsor Claim (claim for reimbursement) did not include cash register tapes from the detailed reports. The May 1, 2017 monthly Sponsor Claim (claim for reimbursement) lacked detailed reports for the breakfast meal accounts. The February 1, 2017 monthly Sponsor Claim (claim for reimbursement) were based upon the January 1, 2017 summary report. The actual known questioned costs totaled \$8,846. When projected to the populations as a whole, additional likely errors of \$102,133 were identified.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period.

EAST PORTER COUNTY 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.15 states in part:

"(a) *Reporting Summary.* Participating school food authorities are required to submit forms and reports to the State agency or the distributing agency, as appropriate, to demonstrate compliance with Program requirements. These reports include, but are not limited to:

(1) A Claim for Reimbursement and, for the month of October and as otherwise specified by the State agency, supporting data as specified in accordance with § 210.8 of this part; . . .

(b) *Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to:

(1) Documentation of participation data by school in support of the Claim for Reimbursement and data used in the claims review process, as required under § 210.8(a), (b), and (c) of this part; . . .

7 CFR 3016.20(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. . . ."

Cause

The School Corporation's management had not developed an adequate system of internal controls that would have ensured compliance with the Reporting compliance requirement.

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

Effect

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

Questioned Costs

Known questioned costs of \$8,846 were identified, as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



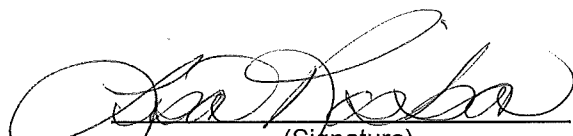
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-001

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Lisa Rosinko, Director of Business Affairs and Human Resources
Contact Phone Number: 219-766-2214

Status of Audit Finding:

The Schedule of Expenditures of Federal Award (SEFA) is completed by the Director of Business Affairs and Human Resources (DBAHR) and reviewed by the Deputy Treasurer. The supporting documentation for the SEFA report consists of the corporation financial account records, food service account records and Special Education account records provided by the Porter County Education Service financial account records to ensure the SEFA report is accurate. Internal controls in place to prevent, detect and correct errors on the SEFA report will include verification accuracy signature and date by the DBAHR and Deputy Treasurer on the documentation prior to submitting the SEFA report on the Gateway reporting system. This process is implemented effective July 2016 for the 2015-2016 report.


(Signature)
Director of Business Affairs
and Human Resources
(Title)
4-19-2018
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

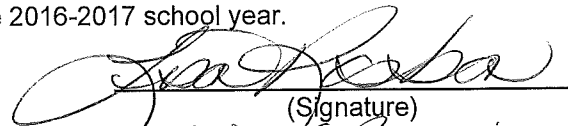
FINDING 2015-002

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency: Indiana Department of Education
Contact Person Responsible for Corrective Action: Lisa Rosinko, Director of Business Affairs and Human Resources
Contact Phone Number: 219-766-2214

Status of Audit Finding:

1. Food Service Personnel are required to clock in an electronic time card system daily. Work time is biweekly reviewed and approved by the Food Service Manager evidenced by the electronic signature submission from the Food Service manager to the Payroll Clerk at the Administration Office. Payroll wage reports are reviewed and approved for accuracy bi-weekly, evidenced by signature and date by the Payroll Clerk and the Director of Business Affairs and Human Resource (DBAHR) prior to payroll issuance. These reports consist of detailed payroll documentation. Dual approval required for wage issuance to the banking institution by the Payroll Clerk, Deputy Treasurer and or the DBAHR. (b) Wage related benefits are paid biweekly, monthly and quarterly as part of the payroll wage issuance procedure. Benefits are directly paid by the Deputy Treasurer only after the DBAHR reviews and approves for disbursement evidence of signature and date.
2. Food service is provided by a Food Service Management Company (FSMC). FSMC professional services are reviewed and evaluated annually. Annual FSMC contracts will be reviewed and evaluated for renewal or termination by the school board each fiscal year.
3. The annual Financial Report (AFR) is completed by the Director of Business Affairs and Human Resource (DBAHR) annually for electronic submission to the Indiana Department of Education Division of School and Community Nutrition web site. The report is compiled by food service and corporation records. Once the AFR is completed by the DBAHR, the Deputy Treasurer reviews and verifies accuracy, evidence of signature, and date on the report prior to submitting to the Indiana Department of Education School Community Nutrition web site.

These processes were implemented effective the 2016-2017 school year.


(Signature)
*Director of Business Affairs
and Human Resources*
(Title)

4-6-2018

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Post Office Box 370

(219) 766-2885 fax
502 East College Avenue

Kouts, Indiana 46347



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

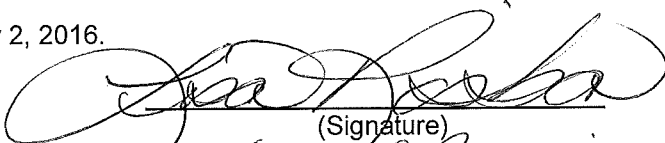
FINDING 2015-003

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency: Indiana Department of Education
Contact Person Responsible for Corrective Action: Lisa Rosinko, Director of Business Affairs and Human Resources
Contact Phone Number: 219-766-2214

Status of Audit Finding:

1. Internal controls and procedures are in place to verify and reconcile cash balance, receipts and disbursements by fund monthly. School Lunch fund compliance is carefully monitored not to exceed a three month average of cash balance as part of the Deputy Treasurer and Director of Business Affairs and Human Resources monthly fund balancing report. The Deputy Treasurer and the Director of Business Affairs and Human Resources sign and date this report as part of the monthly review and approval procedure to balance and close monthly ledger transactions.

These processes were implemented as of July 2, 2016.


(Signature)
*Director of Business Affairs
and Human Resources*
(Title)

4-19-2018
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-004

Fiscal year in which the finding initially occurred: 2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Brandie Muha
Contact Phone Number: 219-766-2214

Status of Audit Finding:

1. Subrecipient Monitoring: An East Porter County School Corporation Title I Subrecipient Agreement Supplement document has been created. It includes the CDFA title and number, name of the federal awarding agency, award year, and a statement letting subrecipient know that an annual request will be made to obtain the most current federal audit reports, if available. It is reviewed with each subrecipient, signed, and dated as documentation of approval. These processes are implemented as of July 1, 2016

Brandie Muha
(Signature)

Director of Curriculum
(Title)

4/19/18
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-005

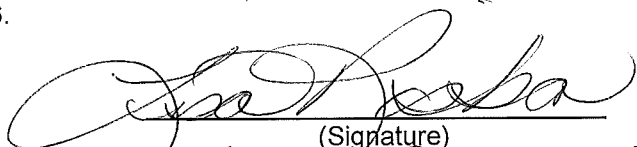
Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency: Indiana Department of Education
Contact Person Responsible for Corrective Action:
Ms. Quinn Van Rys, Chief Financial Officer, Porter County Education Services Cooperative
Ms. Lisa Rosinko, Director of Business and Human Resource Affairs
Contact Phone Number: 219-766-2214

Status of Audit Finding:

The East Porter County School Corporation receives the below documents from the Porter County Education Service Cooperative. East Porter County School Corporation personnel will evidence such review by signature and date on the corresponding documents.

1. Activities Allowed, Allowable Costs and Period of Availability: PCES hourly employees' time sheets will be matched with the payroll accounting code report that indicates which employees were paid from which accounts. The report and times sheets will be reviewed to insure correct payment of personnel and such review evidenced by the PCES CFO (initial & date). The certified teaching staff hired by the PCES board specifically for special education is for grant eligible positions. Certified staff members and the account codes from which they are paid are also included with the payroll account code report review process.
2. Period of Availability: Monthly, PCES personnel review the summary of receipts and expenditures for each grant fund. A comparison of YTD receipts, expenditures, and total approved budget amounts for each grant provides on-going monitoring to determine the amount of grant funds still available for expenditure. Once the budget amount has been expended, the grant fund accounts are closed (deactivated) so that additional expenditures from a subsequent period cannot be charged to the completed grant. Such review will be evidenced by initial and date of the PCES reviewer.
3. Level of Effort – Maintenance of Effort (MOE): PCES personnel calculate the member school corporations' MOE each fiscal year. PCES will complete the calculation, summarize the underlying data, and provide that information to each member district for review/acknowledgement and evidence of such by the member district. PCES will maintain this evidenced documentation for audit review.

These processes were implemented as of July 1, 2016.


(Signature)
Director of Business Affairs
and HUMAN RESOURCES
(Title)
4-6-2018
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-006


Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action:
Lisa Rosinko, Director of Business and Human Resource Affairs
Brandie Muha, Director of Curriculum/Title I Grant Coordinator
Contact Phone Number: 219-766-2214

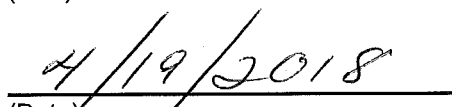
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A

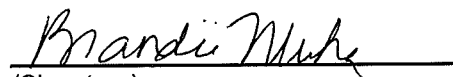
Status of Audit Finding:

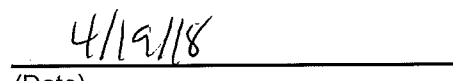
1. Activities Allowed and Allowable Costs/Cost Principles/Period of Availability: Payroll wage reports are reviewed and approved for accuracy bi-weekly evidence of signature and date by the Payroll Clerk and the Director of Business Affairs and Human Resources (DBAHR) prior to payroll issuance. These reports consist of detailed payroll documentation. Dual approval required for wage issuance to the banking institution by the Payroll Clerk, Deputy Treasurer and or the DBAHR. The wage related benefits are paid biweekly, monthly and quarterly as part of the payroll wage issuance procedure. Benefits are directly paid by the Deputy Treasurer only after the DBAHR reviews and approves for disbursement evidence of signature and date.

2. Special Tests and Provisions-Comparability: Each year the school principals complete a document providing enrollment figures for Comparability requirements. The Title I Coordinator verifies enrollment figures from student management system to review and approves for evidence of Comparability. The Title I Coordinator signs and dates as documentation of approval. The Title I Coordinator also has the Superintendent verify the enrollment figures, sign, and dates as documentation of approval. These processes are implemented as of July 1, 2016


(Signature)
Director of Business
Affairs and Human Resources
(Title)


(Date)


(Signature)
Director of Curriculum
(Title)


(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-001 Financial Transactions and Reporting

Contact Person Responsible for Corrective Action:
Lisa Rosinko, Director of Business Affairs and Human Resources
Contact Phone Number: 219-766-2214

Views of Responsible Official:
Audit recommendations were accepted and corrected

Description of Corrective Action Plan:

As an internal control, the Director of Business Affairs and Human Resources will document accuracy of financial transactions through a monthly review of all receipts and accounts payable vouchers to the financial ledgers. Documentation of ledger accuracy will be signed and filed with the monthly bank reconciliation statement.

As an internal control, payroll contract and wage rates will be added into the payroll computer system by a payroll employee. A printed report of these contract and wage rates will be verified and signed by the Director of Business Affairs and Human Resources.

Anticipated Completion Date:
This action plan implementation for July 1, 2018


(Signature)

Director of Business Affairs
(Title) *& HUMAN RESOURCES*

5-24-2018
(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-002 Allowable Costs/Cost Principles, Program Income

Contact Person Responsible for Corrective Action:
Lisa Rosinko, Director of Business Affairs and Human Resources
Contact Phone Number: 219-766-2214

Views of Responsible Official:
The school corporation does not agree that this is a repeat finding from 2015-002
Audit recommendations will be corrected

Description of Corrective Action Plan:

The school corporation does not feel that this finding 2017-002 should be reported as a repeat finding as a result of the State Board of Account finding number 2015-002. The school was never aware that wages could not be distributed from the food service fund as a percentage of the employee's work day for administrative and custodian wages. This issue was never reported as a finding nor communicated verbally from the 2013-2015 audit period or under 2015-002 finding.

Based on the newly required guidance provided in the 2017-002 finding, the school corporation will no longer be charging food service wages to administrative and custodian wages.

Anticipated Completion Date:
This action plan implementation for June 1, 2018


(Signature)

Director of Business Affairs
(Title) *& Human Resources*

(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-003 Child Nutrition Cluster - Eligibility

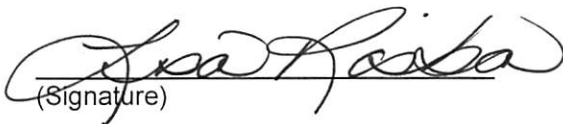
Contact Person Responsible for Corrective Action:
Lisa Rosinko, Director of Business Affairs and Human Resources
Contact Phone Number: 219-766-2214

Views of Responsible Official:
Audit recommendations were accepted and corrected

Description of Corrective Action Plan:

As a part of an internal control, free and reduced applications will be calculated by the school elementary principal, verified correct by the school secretary and school treasurer for accuracy. Verification of calculation will be documented by the signature from the elementary principal and initial by the school secretary and school treasurer. Additionally, the eligibility benefit recorded in the student software system will be printed, reviewed and signed by the elementary principal and school secretary verifying accuracy.

Anticipated Completion Date:
This action plan implementation for August 1, 2018


(Signature)

Director of Business Affairs
(Title) *& Human Resources*

5-24-2018
(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-004 Nutrition Cluster - Reporting

Contact Person Responsible for Corrective Action:
Lisa Rosinko, Director of Business Affairs and Human Resources
Contact Phone Number: 219-766-2214

Views of Responsible Official:
Audit recommendations were accepted and corrected

Description of Corrective Action Plan:

As an internal control, the Food Service Director and or Manager will review and document by signature that the summary and detailed reports are reconciled prior to submitting to the corporation office for claims reimbursement. Additionally, the Deputy Treasurer will document by signature that the two reports (summary and detail) reconcile prior to submitting the monthly claims reimbursement to the Indiana Department of Education.

Anticipated Completion Date:
This action plan implementation for June 1, 2018


(Signature)

Director of Business Affairs
(Title) & *Human Resources*

5-24-2018
(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/>.