

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

PAOLI COMMUNITY SCHOOL CORPORATION
ORANGE COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
01/04/2019

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--|--|
| Treasurer | Julie M. Osborn (Vacant) Courtney Brown | 07-01-15 to 09-01-17 09-02-17 to 09-17-17 09-18-17 to 06-30-19 |
| Superintendent of Schools | Casey Brewster (Vacant) Gerald W. Jackson (interim) Greg Walker | 07-01-15 to 07-10-17 07-11-17 to 07-16-17 07-17-17 to 09-30-18 10-01-18 to 09-30-21 |
| President of the School Board | Lila Tucker | 07-01-15 to 12-31-18 |



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Paoli Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 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 November 15, 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

November 15, 2018



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Paoli Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated November 15, 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 items 2017-001 and 2017-002, that we consider to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001.

Paoli Community School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

November 15, 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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PAOLI COMMUNITY SCHOOL CORPORATION
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended June 30, 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 | \$ 1,283,871 | \$ 10,445,881 | \$ 11,337,149 | \$ 80,603 | \$ 473,206 | \$ 10,470,569 | \$ 10,874,344 | \$ 71,865 | \$ 141,296 |
| Debt Service | 519,126 | 1,349,757 | 1,321,567 | - | 547,316 | 1,220,304 | 1,317,546 | 24,878 | 474,952 |
| Capital Projects | 49,271 | 1,010,167 | 853,934 | (50,000) | 155,504 | 1,087,187 | 861,336 | (263,372) | 117,983 |
| School Transportation | 261,398 | 773,342 | 695,751 | (72,918) | 266,071 | 793,411 | 733,859 | (146,181) | 179,442 |
| School Bus Replacement | 63,361 | 93,382 | 103,860 | - | 52,883 | 156,890 | 80,226 | 478 | 130,025 |
| Rainy Day | 500,000 | 12,252 | - | 100,000 | 612,252 | - | 112,500 | 460,000 | 959,752 |
| School Lunch | 56,759 | 652,018 | 651,728 | - | 57,049 | 637,730 | 653,637 | - | 41,142 |
| Textbook Rental | 57,144 | 181,268 | 329,270 | - | (90,858) | 170,146 | 237,951 | 54,857 | (103,806) |
| Self-Insurance | 429,928 | 1,719,709 | 1,654,130 | - | 495,507 | 1,662,190 | 1,654,873 | - | 502,824 |
| Levy Excess | 92,453 | (35,551) | - | - | 56,902 | 96,548 | - | (56,748) | 96,702 |
| Educational License Plates | 1,050 | 38 | - | - | 1,088 | 93 | - | - | 1,181 |
| Safe Haven Grant 14/15 | - | 2,690 | 2,690 | - | - | - | - | - | - |
| 15/16 Safe Haven Grant | - | 8,580 | 8,580 | - | - | 5,130 | 5,130 | - | - |
| 16/17 Safe Haven Grant | - | - | - | - | - | 8,873 | 8,873 | - | - |
| Scholarships and Awards | 87,082 | 1,300 | 87,382 | - | 1,000 | 3,400 | 3,400 | - | 1,000 |
| Crowe Educator Award | - | - | - | - | - | 500 | 500 | - | - |
| Jennifer Lunbergan Award | 4 | - | - | - | 4 | - | - | - | 4 |
| Miscellaneous Programs | 5,889 | 7,090 | 4,679 | - | 8,300 | 3,348 | 6,182 | - | 5,466 |
| Riverboat Casino | 209,644 | 325,119 | 244,243 | - | 290,520 | 441,282 | 298,821 | (92,061) | 340,920 |
| Formative Assessment | - | 14,656 | - | - | 14,656 | 14,650 | 9,474 | (12,418) | 7,414 |
| GT Grant 2014/2015 | 2,674 | - | 2,674 | - | - | - | - | - | - |
| GT Grant 15/16 | - | 31,587 | 27,215 | - | 4,372 | - | 4,372 | - | - |
| 16/17 GT Grant | - | - | - | - | - | 30,835 | 29,787 | - | 1,048 |
| Computer Consortium/Ed Tech Advance | 1,488 | 2,040 | 2,229 | - | 1,299 | 30 | - | - | 1,329 |
| Secured Schools Safety Grant | - | 10,000 | 29,994 | - | (19,994) | 36,698 | 16,704 | - | - |
| Non-English Speaking Programs | 449 | - | 179 | - | 270 | - | - | - | 270 |
| School Technology | 7,706 | 17,076 | 13,784 | - | 10,998 | 16,207 | 18,341 | - | 8,864 |
| Technology Grants [IC 20-40-15] | (35,841) | 35,841 | 24,311 | - | (24,311) | 64,159 | 39,848 | - | - |
| Career and Technical Performance Grant | - | - | - | - | - | 6,683 | - | - | 6,683 |
| Excess PTRC Distributions | 21 | - | - | - | 21 | - | - | - | 21 |
| Chromebook Fund | 17,875 | 34,667 | 15,252 | (15,703) | 21,587 | 35,588 | 24,039 | (23,000) | 10,136 |
| Title I | (13,422) | 386,026 | 379,774 | (20,514) | (27,684) | 361,895 | 351,928 | - | (17,717) |
| Medicaid Reimbursement - Federal | 36,985 | - | 10,821 | (18,958) | 7,206 | - | 4,849 | 1,682 | 4,039 |
| Improving Teacher Quality, No Child Left, Title II, Part A | (31,218) | 81,978 | 54,631 | - | (3,871) | 74,841 | 74,289 | - | (3,319) |
| Rural Schools and Low Income Program - Pass Through State | - | 27,554 | 28,917 | - | (1,363) | 42,084 | 40,721 | - | - |
| Meal Tracker Deposits | 6,379 | 205,689 | 207,692 | - | 4,376 | 205,434 | 209,049 | - | 761 |
| Payroll Withholding | 16 | 2,393,243 | 2,393,234 | - | 25 | 2,353,139 | 2,353,139 | - | 25 |
| Totals | \$ 3,610,092 | \$ 19,787,399 | \$ 20,485,670 | \$ 2,510 | \$ 2,914,331 | \$ 19,999,844 | \$ 20,025,718 | \$ 19,980 | \$ 2,908,437 |

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

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

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

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

Debt 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:

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

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.

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's 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.

PAOLI COMMUNITY 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.

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

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

C. Additional Pension Plans

The School Corporation also contributes to additional pension plans unique to the School Corporation. Information regarding these plans may be obtained from the School Corporation.

Note 7. Negative Receipts

The financial statement contains some receipts which appear as negative entries. This is a result of the correction of errors from prior periods. The errors made in the prior period were corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, negative receipts were shown in the current period.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. In most instances, 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. The negative balance in the Textbook Rental fund was due to large purchases of Chromebooks during the audit period for which only a portion of the full textbook rental fees had been charged to and collected from students.

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. *Holding Corporation*

The School Corporation has entered into capital leases with the Paoli Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2016 and 2017, totaled \$588,500 and \$620,500, respectively.

Note 10. *Subsequent Events*

The School Corporation offered a retirement incentive to teachers during the 2017-2018 school year. Teachers were given the option to resign after the first semester and receive one-half of their contracted salary amount for the second semester or resign at the end of the school year and receive a one-time \$10,000 buyout. Two teachers selected each of the options offered.

Additionally, at the end of the 2017-2018 school year, the School Corporation implemented a reduction-in-force plan as a cost-savings measure.

Note 11. *Other Postemployment Benefits*

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

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OTHER INFORMATION - UNAUDITED

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

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

| | General | Debt Service | Capital Projects | School Transportation | School Bus Replacement | Rainy Day | School Lunch | Textbook Rental | Self-Insurance | Levy Excess |
|---|--------------|--------------|------------------|-----------------------|------------------------|------------|--------------|-----------------|----------------|-------------|
| Cash and investments - beginning | \$ 1,283,871 | \$ 519,126 | \$ 49,271 | \$ 261,398 | \$ 63,361 | \$ 500,000 | \$ 56,759 | \$ 57,144 | \$ 429,928 | \$ 92,453 |
| Receipts: | | | | | | | | | | |
| Local sources | 315,115 | 1,349,757 | 1,010,167 | 773,336 | 93,382 | 12,252 | 228,490 | - | 1,719,709 | (35,551) |
| Intermediate sources | 22 | - | - | - | - | - | - | - | - | - |
| State sources | 10,096,979 | - | - | - | - | - | 6,042 | 181,268 | - | - |
| Federal sources | 15,464 | - | - | - | - | - | 417,486 | - | - | - |
| Other receipts | 18,301 | - | - | 6 | - | - | - | - | - | - |
| Total receipts | 10,445,881 | 1,349,757 | 1,010,167 | 773,342 | 93,382 | 12,252 | 652,018 | 181,268 | 1,719,709 | (35,551) |
| Disbursements: | | | | | | | | | | |
| Instruction | 8,000,566 | - | - | - | - | - | - | - | - | - |
| Support services | 3,057,200 | - | 452,572 | 695,751 | 103,860 | - | - | 327,519 | - | - |
| Noninstructional services | 245,460 | - | - | - | - | - | 651,728 | - | - | - |
| Facilities acquisition and construction | 33,923 | - | 373,676 | - | - | - | - | 1,751 | - | - |
| Debt service | - | 1,321,567 | 27,686 | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | 1,654,130 | - |
| Total disbursements | 11,337,149 | 1,321,567 | 853,934 | 695,751 | 103,860 | - | 651,728 | 329,270 | 1,654,130 | - |
| Excess (deficiency) of receipts over disbursements | (891,268) | 28,190 | 156,233 | 77,591 | (10,478) | 12,252 | 290 | (148,002) | 65,579 | (35,551) |
| Other financing sources (uses): | | | | | | | | | | |
| Sale of capital assets | 2,510 | - | - | - | - | - | - | - | - | - |
| Transfers in | 90,396 | - | - | - | - | 100,000 | - | - | - | - |
| Transfers out | (12,303) | - | (50,000) | (72,918) | - | - | - | - | - | - |
| Total other financing sources (uses) | 80,603 | - | (50,000) | (72,918) | - | 100,000 | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (810,665) | 28,190 | 106,233 | 4,673 | (10,478) | 112,252 | 290 | (148,002) | 65,579 | (35,551) |
| Cash and investments - ending | \$ 473,206 | \$ 547,316 | \$ 155,504 | \$ 266,071 | \$ 52,883 | \$ 612,252 | \$ 57,049 | \$ (90,858) | \$ 495,507 | \$ 56,902 |

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

| | Educational License Plates | Safe Haven Grants 14/15 | 15/16 Safe Haven Grant | 16/17 Safe Haven Grant | Scholarships and Awards | Crowe Educator Award | Jennifer Lunbergan Award | Miscellaneous Programs | Riverboat Casino | Formative Assessment |
|---|----------------------------------|----------------------------------|---------------------------------|---------------------------------|-------------------------------|----------------------------|--------------------------------|---------------------------|---------------------|-------------------------|
| Cash and investments - beginning | \$ 1,050 | \$ - | \$ - | \$ - | \$ 87,082 | \$ - | \$ 4 | \$ 5,889 | \$ 209,644 | \$ - |
| Receipts: | | | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | 7,090 | - | - |
| Intermediate sources | 38 | - | - | - | 1,300 | - | - | - | 325,119 | - |
| State sources | - | 2,690 | 8,580 | - | - | - | - | - | - | 14,656 |
| Federal sources | - | - | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - | - | - |
| Total receipts | 38 | 2,690 | 8,580 | - | 1,300 | - | - | 7,090 | 325,119 | 14,656 |
| Disbursements: | | | | | | | | | | |
| Instruction | - | 2,690 | 8,580 | - | - | - | - | 3,807 | - | - |
| Support services | - | - | - | - | - | - | - | - | 14,243 | - |
| Noninstructional services | - | - | - | - | - | - | - | 872 | 2,500 | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | 7,500 | - |
| Debt service | - | - | - | - | - | - | - | - | 220,000 | - |
| Nonprogrammed charges | - | - | - | - | 87,382 | - | - | - | - | - |
| Total disbursements | - | 2,690 | 8,580 | - | 87,382 | - | - | 4,679 | 244,243 | - |
| Excess (deficiency) of receipts over disbursements | 38 | - | - | - | (86,082) | - | - | 2,411 | 80,876 | 14,656 |
| Other financing sources (uses): | | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 38 | - | - | - | (86,082) | - | - | 2,411 | 80,876 | 14,656 |
| Cash and investments - ending | \$ 1,088 | \$ - | \$ - | \$ - | \$ 1,000 | \$ - | \$ 4 | \$ 8,300 | \$ 290,520 | \$ 14,656 |

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

| | GT Grant 2014/2015 | GT Grant 15/16 | 16/17 GT Grant | Computer Consortium/ Ed Tech Advance | Secured Schools Safety Grant | Non-English Speaking Programs | School Technology | Technology Grants [IC 20-40-15] | Career and Technical Performance Grant |
|---|-----------------------|-------------------|-------------------|---|---------------------------------------|-------------------------------------|----------------------|---------------------------------------|---|
| Cash and investments - beginning | \$ 2,674 | \$ - | \$ - | \$ 1,488 | \$ - | \$ 449 | \$ 7,706 | \$ (35,841) | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | 2,040 | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | 31,587 | - | - | 10,000 | - | 17,076 | - | - |
| Federal sources | - | - | - | - | - | - | - | 35,841 | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | - | 31,587 | - | 2,040 | 10,000 | - | 17,076 | 35,841 | - |
| Disbursements: | | | | | | | | | |
| Instruction | 2,674 | 27,215 | - | 1,079 | - | 179 | 13,784 | 17,574 | - |
| Support services | - | - | - | - | - | - | - | 6,737 | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | 29,994 | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | 1,150 | - | - | - | - | - |
| Total disbursements | 2,674 | 27,215 | - | 2,229 | 29,994 | 179 | 13,784 | 24,311 | - |
| Excess (deficiency) of receipts over disbursements | (2,674) | 4,372 | - | (189) | (19,994) | (179) | 3,292 | 11,530 | - |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (2,674) | 4,372 | - | (189) | (19,994) | (179) | 3,292 | 11,530 | - |
| Cash and investments - ending | \$ - | \$ 4,372 | \$ - | \$ 1,299 | \$ (19,994) | \$ 270 | \$ 10,998 | \$ (24,311) | \$ - |

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

| | Excess PTRC Distributions | Chromebook Fund | Title I | Medicaid Reimbursement - Federal | Improving Teacher Quality, No Child Left, Title II, Part A | Rural Schools and Low Income Program - Pass Through State | Meal Tracker Deposits | Payroll Withholding | Totals |
|---|---------------------------------|--------------------|-------------|--|---|--|-----------------------------|------------------------|--------------|
| Cash and investments - beginning | \$ 21 | \$ 17,875 | \$ (13,422) | \$ 36,985 | \$ (31,218) | \$ - | \$ 6,379 | \$ 16 | \$ 3,610,092 |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - | 5,475,787 |
| Intermediate sources | - | - | - | - | - | - | - | - | 326,479 |
| State sources | - | - | - | - | - | - | - | - | 10,368,878 |
| Federal sources | - | - | 386,026 | - | 81,978 | 27,554 | - | - | 964,349 |
| Other receipts | - | 34,667 | - | - | - | - | 205,689 | 2,393,243 | 2,651,906 |
| Total receipts | - | 34,667 | 386,026 | - | 81,978 | 27,554 | 205,689 | 2,393,243 | 19,787,399 |
| Disbursements: | | | | | | | | | |
| Instruction | - | 15,252 | 379,699 | 9,810 | 49,439 | 28,917 | - | - | 8,561,265 |
| Support services | - | - | 75 | 1,011 | 5,192 | - | - | - | 4,664,160 |
| Noninstructional services | - | - | - | - | - | - | - | - | 900,560 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | 446,844 |
| Debt service | - | - | - | - | - | - | - | - | 1,569,253 |
| Nonprogrammed charges | - | - | - | - | - | - | 207,692 | 2,393,234 | 4,343,588 |
| Total disbursements | - | 15,252 | 379,774 | 10,821 | 54,631 | 28,917 | 207,692 | 2,393,234 | 20,485,670 |
| Excess (deficiency) of receipts over disbursements | - | 19,415 | 6,252 | (10,821) | 27,347 | (1,363) | (2,003) | 9 | (698,271) |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | 2,510 |
| Transfers in | - | - | - | 8,131 | - | - | - | - | 198,527 |
| Transfers out | - | (15,703) | (20,514) | (27,089) | - | - | - | - | (198,527) |
| Total other financing sources (uses) | - | (15,703) | (20,514) | (18,958) | - | - | - | - | 2,510 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | 3,712 | (14,262) | (29,779) | 27,347 | (1,363) | (2,003) | 9 | (695,761) |
| Cash and investments - ending | \$ 21 | \$ 21,587 | \$ (27,684) | \$ 7,206 | \$ (3,871) | \$ (1,363) | \$ 4,376 | \$ 25 | \$ 2,914,331 |

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

| | General | Debt Service | Capital Projects | School Transportation | School Bus Replacement | Rainy Day | School Lunch | Textbook Rental | Self- Insurance | Levy Excess |
|---|------------|-----------------|---------------------|--------------------------|------------------------------|--------------|-----------------|--------------------|--------------------|----------------|
| Cash and investments - beginning | \$ 473,206 | \$ 547,316 | \$ 155,504 | \$ 266,071 | \$ 52,883 | \$ 612,252 | \$ 57,049 | \$ (90,858) | \$ 495,507 | \$ 56,902 |
| Receipts: | | | | | | | | | | |
| Local sources | 197,447 | 1,220,304 | 1,087,187 | 793,411 | 156,890 | - | 231,227 | 24,213 | 1,662,190 | 96,548 |
| Intermediate sources | 38 | - | - | - | - | - | - | - | - | - |
| State sources | 10,256,928 | - | - | - | - | - | 6,139 | 145,933 | - | - |
| Federal sources | 15,704 | - | - | - | - | - | 400,364 | - | - | - |
| Other receipts | 452 | - | - | - | - | - | - | - | - | - |
| Total receipts | 10,470,569 | 1,220,304 | 1,087,187 | 793,411 | 156,890 | - | 637,730 | 170,146 | 1,662,190 | 96,548 |
| Disbursements: | | | | | | | | | | |
| Instruction | 7,814,111 | - | - | - | - | - | 11,054 | - | - | - |
| Support services | 2,793,264 | - | 513,496 | 733,859 | 80,226 | 100,000 | - | 237,951 | - | - |
| Noninstructional services | 242,668 | - | - | - | - | - | 642,583 | - | - | - |
| Facilities acquisition and construction | 24,301 | - | 347,840 | - | - | 12,500 | - | - | - | - |
| Debt service | - | 1,317,546 | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | 1,654,873 | - |
| Total disbursements | 10,874,344 | 1,317,546 | 861,336 | 733,859 | 80,226 | 112,500 | 653,637 | 237,951 | 1,654,873 | - |
| Excess (deficiency) of receipts over disbursements | (403,775) | (97,242) | 225,851 | 59,552 | 76,664 | (112,500) | (15,907) | (67,805) | 7,317 | 96,548 |
| Other financing sources (uses): | | | | | | | | | | |
| Sale of capital assets | 754 | - | 18,901 | - | - | - | - | 325 | - | - |
| Transfers in | 97,802 | 24,878 | 17,727 | 13,819 | 478 | 460,000 | - | 54,532 | - | - |
| Transfers out | (26,691) | - | (300,000) | (160,000) | - | - | - | - | - | (56,748) |
| Total other financing sources (uses) | 71,865 | 24,878 | (263,372) | (146,181) | 478 | 460,000 | - | 54,857 | - | (56,748) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (331,910) | (72,364) | (37,521) | (86,629) | 77,142 | 347,500 | (15,907) | (12,948) | 7,317 | 39,800 |
| Cash and investments - ending | \$ 141,296 | \$ 474,952 | \$ 117,983 | \$ 179,442 | \$ 130,025 | \$ 959,752 | \$ 41,142 | \$ (103,806) | \$ 502,824 | \$ 96,702 |

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

| | Educational License Plates | Safe Haven Grants 14/15 | 15/16 Safe Haven Grant | 16/17 Safe Haven Grant | Scholarships and Awards | Crowe Educator Award | Jennifer Lunbergan Award | Miscellaneous Programs | Riverboat Casino | Formative Assessment |
|---|----------------------------------|----------------------------------|---------------------------------|---------------------------------|-------------------------------|----------------------------|--------------------------------|---------------------------|---------------------|-------------------------|
| Cash and investments - beginning | \$ 1,088 | \$ - | \$ - | \$ - | \$ 1,000 | \$ - | \$ 4 | \$ 8,300 | \$ 290,520 | \$ 14,656 |
| Receipts: | | | | | | | | | | |
| Local sources | - | - | - | - | 3,400 | 500 | - | 3,348 | - | - |
| Intermediate sources | 93 | - | - | - | - | - | - | - | 441,282 | - |
| State sources | - | - | 5,130 | 8,873 | - | - | - | - | - | 14,650 |
| Federal sources | - | - | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - | - | - |
| Total receipts | 93 | - | 5,130 | 8,873 | 3,400 | 500 | - | 3,348 | 441,282 | 14,650 |
| Disbursements: | | | | | | | | | | |
| Instruction | - | - | 5,130 | 8,873 | - | - | - | 5,759 | 8,185 | 1,144 |
| Support services | - | - | - | - | - | - | - | - | 3,669 | 8,330 |
| Noninstructional services | - | - | - | - | - | 500 | - | 423 | 2,014 | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | 51,453 | - |
| Debt service | - | - | - | - | - | - | - | - | 233,500 | - |
| Nonprogrammed charges | - | - | - | - | 3,400 | - | - | - | - | - |
| Total disbursements | - | - | 5,130 | 8,873 | 3,400 | 500 | - | 6,182 | 298,821 | 9,474 |
| Excess (deficiency) of receipts over disbursements | 93 | - | - | - | - | - | - | (2,834) | 142,461 | 5,176 |
| Other financing sources (uses): | | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | (92,061) | (12,418) |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | (92,061) | (12,418) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 93 | - | - | - | - | - | - | (2,834) | 50,400 | (7,242) |
| Cash and investments - ending | \$ 1,181 | \$ - | \$ - | \$ - | \$ 1,000 | \$ - | \$ 4 | \$ 5,466 | \$ 340,920 | \$ 7,414 |

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

| | GT Grant 2014/2015 | GT Grant 15/16 | 16/17 GT Grant | Computer Consortium/ Ed Tech Advance | Secured Schools Safety Grant | Non-English Speaking Programs | School Technology | Technology Grants [IC 20-40-15] | Career and Technical Performance Grant |
|---|-----------------------|-------------------|-------------------|---|---------------------------------------|-------------------------------------|----------------------|---------------------------------------|---|
| Cash and investments - beginning | \$ - | \$ 4,372 | \$ - | \$ 1,299 | \$ (19,994) | \$ 270 | \$ 10,998 | \$ (24,311) | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | 30 | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | - | 30,835 | - | 36,698 | - | 16,207 | - | 6,683 |
| Federal sources | - | - | - | - | - | - | - | 64,159 | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | - | - | 30,835 | 30 | 36,698 | - | 16,207 | 64,159 | 6,683 |
| Disbursements: | | | | | | | | | |
| Instruction | - | 4,372 | 29,787 | - | - | - | 17,998 | 6,134 | - |
| Support services | - | - | - | - | - | - | 343 | 23,920 | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | 16,704 | - | - | 9,794 | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | - | 4,372 | 29,787 | - | 16,704 | - | 18,341 | 39,848 | - |
| Excess (deficiency) of receipts over disbursements | - | (4,372) | 1,048 | 30 | 19,994 | - | (2,134) | 24,311 | 6,683 |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (4,372) | 1,048 | 30 | 19,994 | - | (2,134) | 24,311 | 6,683 |
| Cash and investments - ending | \$ - | \$ - | \$ 1,048 | \$ 1,329 | \$ - | \$ 270 | \$ 8,864 | \$ - | \$ 6,683 |

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

| | Excess PTRC Distributions | Chromebook Fund | Title I | Medicaid Reimbursement - Federal | Improving Teacher Quality, No Child Left, Title II, Part A | Rural Schools and Low Income Program - Pass Through State | Meal Tracker Deposits | Payroll Withholding | Totals |
|---|---------------------------------|--------------------|-------------|--|---|--|-----------------------------|------------------------|--------------|
| Cash and investments - beginning | \$ 21 | \$ 21,587 | \$ (27,684) | \$ 7,206 | \$ (3,871) | \$ (1,363) | \$ 4,376 | \$ 25 | \$ 2,914,331 |
| Receipts: | | | | | | | | | |
| Local sources | - | 379 | - | - | - | - | - | - | 5,477,074 |
| Intermediate sources | - | - | - | - | - | - | - | - | 441,413 |
| State sources | - | - | - | - | - | - | - | - | 10,528,076 |
| Federal sources | - | - | 361,895 | - | 74,841 | 42,084 | - | - | 959,047 |
| Other receipts | - | 35,209 | - | - | - | - | 205,434 | 2,353,139 | 2,594,234 |
| Total receipts | - | 35,588 | 361,895 | - | 74,841 | 42,084 | 205,434 | 2,353,139 | 19,999,844 |
| Disbursements: | | | | | | | | | |
| Instruction | - | 24,039 | 300,043 | 2,590 | 70,723 | 40,721 | - | - | 8,350,663 |
| Support services | - | - | 51,885 | 2,259 | 3,566 | - | - | - | 4,552,768 |
| Noninstructional services | - | - | - | - | - | - | - | - | 888,188 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | 462,592 |
| Debt service | - | - | - | - | - | - | - | - | 1,551,046 |
| Nonprogrammed charges | - | - | - | - | - | - | 209,049 | 2,353,139 | 4,220,461 |
| Total disbursements | - | 24,039 | 351,928 | 4,849 | 74,289 | 40,721 | 209,049 | 2,353,139 | 20,025,718 |
| Excess (deficiency) of receipts over disbursements | - | 11,549 | 9,967 | (4,849) | 552 | 1,363 | (3,615) | - | (25,874) |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | 19,980 |
| Transfers in | - | - | - | 26,538 | - | - | - | - | 695,774 |
| Transfers out | - | (23,000) | - | (24,856) | - | - | - | - | (695,774) |
| Total other financing sources (uses) | - | (23,000) | - | 1,682 | - | - | - | - | 19,980 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (11,451) | 9,967 | (3,167) | 552 | 1,363 | (3,615) | - | (5,894) |
| Cash and investments - ending | \$ 21 | \$ 10,136 | \$ (17,717) | \$ 4,039 | \$ (3,319) | \$ - | \$ 761 | \$ 25 | \$ 2,908,437 |

PAOLI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2017

| Government or Enterprise | Accounts Payable | Accounts Receivable |
|--------------------------|---------------------|------------------------|
| Governmental activities | <u>\$ 538,461</u> | <u>\$ 202,065</u> |

PAOLI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2017

| Lessor | Purpose | Annual Lease Payment | Lease Beginning Date | Lease Ending Date |
|---|-----------------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities: | | | | |
| Paoli Community School Building Corporation | Refunding Bonds | \$ 285,000 | 12/31/2009 | 12/31/2020 |
| Paoli Community School Building Corporation | Casino Revenue Bond | 220,000 | 12/31/2009 | 06/30/2027 |
| Paoli Community School Building Corporation | Sports Complex Lease Rental | <u>130,500</u> | 11/24/2014 | 01/15/2035 |
| Total of annual lease payments | | <u>\$ 635,500</u> | | |

| Type | Description of Debt | Purpose | Ending Principal Balance | Principal and Interest Due Within One Year |
|--------------------------|---------------------------|---------|--------------------------------|---|
| Governmental activities: | | | | |
| Notes and loans payable | Common School Loans A0448 | | \$ 83,051 | \$ 23,877 |
| Notes and loans payable | Common School Loans A0461 | | 187,500 | 44,625 |
| Notes and loans payable | Common School Loans A0528 | | 1,352,373 | 149,727 |
| Notes and loans payable | Common School Loans A0567 | | <u>7,142,857</u> | <u>689,796</u> |
| Totals | | | <u>\$ 8,765,781</u> | <u>\$ 908,025</u> |

PAOLI COMMUNITY 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 | \$ 212,393 |
| Buildings | 47,348,381 |
| Improvements other than buildings | 2,007,258 |
| Machinery, equipment, and vehicles | <u>6,191,072</u> |
| Total capital assets | <u>\$ 55,759,104</u> |

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the Paoli Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *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.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-004, 2017-005, and 2017-006. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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 2017-003, 2017-004, 2017-005, and 2017-006, 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.

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

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

November 15, 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.

PAOLI COMMUNITY 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 | FY 2016 | \$ - | \$ 110,102 | \$ - | \$ - |
| | | | FY 2017 | - | - | - | 110,253 |
| Total - School Breakfast Program | | | | - | 110,102 | - | 110,253 |
| National School Lunch Program | | | | | | | |
| National School Lunch Program | Indiana Department of Education | 10.555 | FY 2016 | - | 306,733 | - | - |
| National School Lunch Program | | | FY 2017 | - | - | - | 290,110 |
| National School Lunch Program - Commodities | | | FY 2016 | - | 38,698 | - | - |
| National School Lunch Program - Commodities | | | FY 2017 | - | - | - | 51,223 |
| Total - National School Lunch Program | | | | - | 345,431 | - | 341,333 |
| Summer Food Service Program for Children | | | | | | | |
| Summer Food Service Program for Children | Indiana Department of Education | 10.559 | FY 2016 | - | 14,289 | - | - |
| | | | FY 2017 | - | - | - | 13,295 |
| Total - Summer Food Service Program for Children | | | | - | 14,289 | - | 13,295 |
| Total - Child Nutrition Cluster | | | | - | 469,822 | - | 464,881 |
| Child and Adult Care Food Program | | | | | | | |
| After School Supplement (Snack) | Indiana Department of Education | 10.558 | FY 2016 | - | 4,672 | - | - |
| | | | FY 2017 | - | - | - | 5,275 |
| Total - Child and Adult Care Food Program | | | | - | 4,672 | - | 5,275 |
| Total - Department of Agriculture | | | | - | 474,494 | - | 470,156 |
| <u>Department of Education</u> | | | | | | | |
| Special Education Cluster (IDEA) | | | | | | | |
| Special Education_Grants to States | Indiana Department of Education | 84.027 | 14214-056-PN01 | - | 550 | - | - |
| | | | 14215-056-PN01 | - | 94,814 | - | 3,876 |
| | | | 14216-054-PN01 | - | 241,063 | - | 120,810 |
| | | | 14217-054-PN01 | - | - | - | 219,819 |
| | | | 99914-056-TA01 | - | 3,181 | - | - |
| Total - Special Education_Grants to States | | | | - | 339,608 | - | 344,505 |

PAOLI COMMUNITY 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 |
|---|-------------------------------------|---------------------------|--|---|---|---|---|
| Special Education_Preschool Grants | Indiana Department of Education | 84.173 | 45715-056-PN01 | - | 10,007 | - | 546 |
| | | | 45716-054-PN01 | - | 10,186 | - | 9,203 |
| | | | 45717-054-PN01 | - | - | - | 11,146 |
| Total - Special Education_Preschool Grants | | | | - | 20,193 | - | 20,895 |
| Total - Special Education Cluster | | | | - | 359,801 | - | 365,400 |
| Title I Grants to Local Educational Agencies | Indiana Department of Education | 84.010 | FY 2016 | - | 386,026 | - | - |
| | | | FY 2017 | - | - | - | 361,895 |
| Total - Title I Grants to Local Education Agencies | | | | - | 386,026 | - | 361,895 |
| Rural Education | | | | | | | |
| Rural & Low Income Schools Grant | Indiana Department of Education | 84.358 | FY 2016 | - | 27,554 | - | - |
| | | | FY 2017 | - | - | - | 42,084 |
| Total - Rural Education | | | | - | 27,554 | - | 42,084 |
| Supporting Effective Instruction State Grants | Indiana Department of Education | 84.367 | FY 2016 | - | 81,978 | - | - |
| | | | FY 2017 | - | - | - | 74,841 |
| Total - Supporting Effective Instruction State Grants | | | | - | 81,978 | - | 74,841 |
| Total - Department of Education | | | | - | 855,359 | - | 844,220 |
| Total federal awards expended | | | | \$ - | \$ 1,329,853 | \$ - | \$ 1,314,376 |

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

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

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 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 the South Central Area Special Education Cooperative (Cooperative). The Cooperative operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement of the School Corporation.

PAOLI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weaknesses identified? | yes |
| Significant deficiency 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 | Unmodified |
| 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 |

Section II - Financial Statement Findings

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat of Finding 2015-001 from the immediately prior audit.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation failed to properly review the federal grant information prepared and submitted in the Indiana Gateway of Government Units financial reporting system, which was the source of the SEFA.

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

Context

Due to the lack of controls, the following errors occurred and were not detected or corrected:

1. The School Breakfast Program was omitted, which understated program expenditures by \$110,102 and \$110,253 for the fiscal years ended June 30, 2016 and 2017, respectively.
2. The National School Lunch Program expenditures were overstated by \$132,783 and \$132,360 for the fiscal years ended June 30, 2016 and 2017, respectively.
3. The National School Lunch Program - Commodities expenditures were overstated by \$2,968 for the fiscal year ended June 30, 2016, and were omitted for the fiscal year ended June 30, 2017, which understated program expenditures by \$51,223.
4. The Summer Food Service Program for Children was omitted, which understated program expenditures by \$14,289 and \$13,295 for the fiscal years ended June 30, 2016 and 2017, respectively.
5. The Child and Adult Food Care Program was omitted, which understated program expenditures by \$4,672 and \$5,275 for the fiscal years ended June 30, 2016 and 2017, respectively.
6. The Special Education_Grants to States and the Special Education_Preschool Grants expenditures were overstated by \$11,431 and \$728, respectively, for the fiscal year ended June 30, 2016.

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

Criteria

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

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

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

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure that federal expenditures will be properly reported on the SEFA.

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

Views of Responsible Officials

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

FINDING 2017-002

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

Repeat Finding

This is a repeat of Finding 2015-002 from the immediately prior audit.

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to the reporting of School Corporation receipts and Food Service Program receipts. These deficiencies constituted material weaknesses within the School Corporation's financial reporting system.

The Treasurer issued all receipts for School Corporation collections. Once all receipts were recorded, she ran edit reports listing each receipt and prepared the bank deposit. The Superintendent of Schools' Secretary reviewed the receipts, edit reports, and bank deposits to verify that they were in agreement. However, this could not be verified because no documentation or audit trail was provided to confirm that this control process was functioning properly.

Parents and students made payments on lunch accounts at each school building. The Extracurricular Treasurer at each building collected the money, but no receipts were issued for the amounts collected. At the end of each day, the Treasurer for the Centralized School Lunch ECA would pick up the collections, prepare and make the bank deposit, and record the receipts to the students' prepaid meal accounts. No controls could be identified over the receipts collected by the Extracurricular Treasurers.

Context

The lack of documented 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.

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

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 controls to ensure proper reporting of School Corporation and Food Service Program receipts.

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Reporting, Special Tests and Provisions -
Verification of Free and Reduced Price Applications,
Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

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 compliance requirements listed above.

Eligibility

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the eligibility determinations on the free and reduced price applications. The Assistant Principals at the elementary and junior-senior high schools were solely responsible for performing the eligibility determinations at their respective buildings, and none of the applications submitted during the audit period contained evidence of review. There was no evidence of segregation of duties such as an oversight, review, or approval process to ensure that eligibility is accurately determined.

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

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the Annual Financial Reports, the Monthly Sponsor Claims (claims for reimbursement), and the School Food Authority (SFA) Verification Collection Reports that were filed. The reports were completed by one individual with no evidence of segregation of duties such as an oversight, review, or approval process to verify the accuracy of the reports prior to submission.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The School Corporation had not designed or implemented adequate policies and procedures to ensure that verifications of free and reduced price meal applications were properly performed and the results accurately reported. There was no evidence of segregation of duties, such as an oversight, review, or approval process, or other compensating control, over the verifications performed or the preparation of the School Food Authority (SFA) Verification Collection Reports that were filed. The Assistant High School Principal had the sole responsibility for performing the verifications and preparing and submitting the reports. The School Corporation did not have procedures in place to ensure that an individual independent of the process verified the accuracy of the verifications or reports.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the paid lunch equity calculations. The Centralized School Lunch ECA Treasurer performed the calculations with no evidence of segregation of duties such as an oversight, review, or approval process to verify the accuracy of the calculations performed.

Context

The lack of controls was a systemic issue 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). . . ."

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

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2017-004

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-056-PN01, 14216-054-PN01,
14217-054-PN01, 45715-056-PN01,
45716-054-PN01, 45717-054-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school corporation is ultimately responsible for ensuring compliance with the requirements.

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

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

No evidence was presented that Semi-Annual Certifications were completed and certified during the audit period for any employees who were paid solely from Special Education Funds. No evidence was presented that personal activity reports were prepared and signed during the audit period for any employees who were paid from multiple cost objectives. In addition, no records of activity were presented for audit for any employees paid either solely or partially from Special Education funds.

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 of Internal Control in the Federal Government' issued by the Comptroller General for 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:

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

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

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

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

- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management of the School Corporation had not designed or implemented internal control procedures to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles 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 Allowable Costs/Cost Principles compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance and comply with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2017-005

Subject: Special Education Cluster (IDEA) - Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-056-PN01, 14216-054-PN01,
14217-054-PN01, 45715-056-PN01,
45716-054-PN01, 45717-054-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

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

Repeat Finding

This is a repeat of Finding 2015-005 from the immediately prior audit.

Condition

The School Corporation is a member of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school corporation is ultimately responsible for ensuring compliance with the requirements.

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

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

Context

There were three contracts during both the 2015-2016 and 2016-2017 school years that exceeded \$25,000. The Cooperative did not verify that the vendors were not suspended or debarred prior to awarding these contracts.

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 of Internal Control in the Federal Government' issued by the Comptroller General for the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

2 CFR 180.300 states in part:

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

You do this by:

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

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the suspension and debarment requirements.

Effect

The failure to establish an effective internal control system enabled the School Corporation to be in noncompliance with the grant agreement and the suspension and debarment requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that School Corporation's management develop and implement procedures and establish controls to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2017-006

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-056-PN01, 45715-056-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

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

Condition

The School Corporation is a member of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school corporation is ultimately responsible for ensuring compliance with the requirements.

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

The required Final Reports for Special Educations grants were not completed and submitted to the Indiana Department of Education.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period. Final reports for all Special Education grants completed during the year 2016, due by December 15, were not prepared and submitted to the Indiana Department of Education.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

34 CFR 80.20(b) states in part:

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

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system caused the School Corporation to be in noncompliance with the grant agreement and the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management develop and implement procedures and 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.

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AUDITEE-PREPARED DOCUMENTS

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

PAOLI COMMUNITY SCHOOL CORPORATION
OFFICE OF THE SUPERINTENDENT

GREG WALKER
SUPERINTENDENT OF SCHOOLS

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COURTNEY BROWN
TREASURER

LISA MUTH
SECRETARY

CINDY EUBANK
DEPUTY TREASURER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-001

Fiscal year in which the finding initially occurred: July 1, 2013-June 30, 2015
Contact Person Responsible for Corrective Action: Courtney Brown, Treasurer
Contact Phone Number: (812) 723-4717

Status of Audit Finding: Anticipated Completion August 2018

- The Superintendent or Grant Administrator now reviews the information entered into the SEFA report by the treasurer and approves the report and confirms the information is accurate.



Signature

Corporation Treasurer

Title

10/24/18

Date

PAOLI COMMUNITY SCHOOL CORPORATION
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LISA MUTH
SECRETARY

CINDY EUBANK
DEPUTY TREASURER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-002

Fiscal year in which the finding initially occurred: July 1, 2013-June 30, 2015
Contact Person Responsible for Corrective Action: Courtney Brown, Treasurer
Contact Phone Number: (812) 723-4717

Status of Audit Finding: Corporation Actions were corrected May 2017
School Lunch Actions were corrected July 2017

- The Treasurer has the Superintendent's Secretary review receipts against receipt edit and verify they match deposits. The Secretary will then sign and date the receipt edit as acknowledgement of review and accuracy.
- The Extracurricular Treasurer in each building issues receipts for amounts collected for the lunch account and the Centralized School Lunch Treasurer verifies the amount received matches the receipts. The Centralized School Lunch Treasurer will the make the deposit.



Signature

Corporation Treasurer

Title

10/24/18

Date

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LISA MUTH
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CINDY EUBANK
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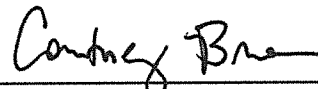
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-003

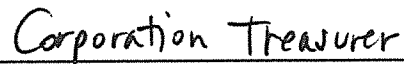
Fiscal year in which the finding initially occurred: July 1, 2013-June 30, 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept of Education
Contact Person Responsible for Corrective Action: Courtney Brown, Treasurer and Larry Hollan, Title I Coordinator
Contact Phone Number: (812) 723-4717

Status of Audit Finding: Cash Management and Reporting were completed November 2015
Allowable Cost/Cost Principles were corrected July 2017

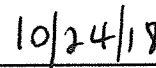
- The Title I Coordinator created the split funded time and effort log and it is reviewed and signed by the Superintendent.
- The Title I Coordinator prepares the semi-annual certification and it is reviewed and verified by the Deputy Treasurer in charge of payroll.
- The Treasurer runs an actual expenditure report and has the Title I Coordinator review the report for accuracy. The Title I Coordinator then signs and dates the report acknowledging the information is correct.
- The Superintendent reviews the Reimbursement Requests and required reports for accuracy and approval.



Signature



Title



Date

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LISA MUTH
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CINDY EUBANK
DEPUTY TREASURER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-004

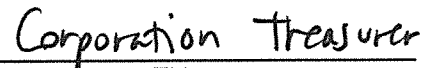
Fiscal year in which the finding initially occurred: July 1, 2013-June 30, 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept of Education
Contact Person Responsible for Corrective Action: Courtney Brown, Treasurer
Contact Phone Number: (812) 723-4717

Status of Audit Finding: Corrected July 2017

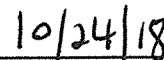
- Additional internal control procedures were implemented to ensure the Cooperative complied with federal requirements. A detailed expenditure report is ran and expenditures are incurred prior to date of claiming reimbursement and amounts claimed and reported match supporting documentation and are kept with reimbursement requests.



Signature



Title



Date

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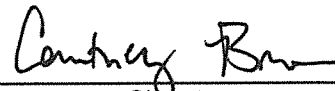
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-005

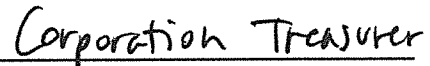
Fiscal year in which the finding initially occurred: July 1, 2013-June 30, 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept of Education
Contact Person Responsible for Corrective Action: Courtney Brown, Treasurer
Contact Phone Number: (812) 723-4717

Status of Audit Finding: Corrected July 2017

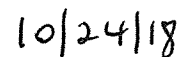
- An additional internal control procedure is implemented to ensure the Cooperative complies with all federal and state laws by searching the website System of Awards Manager Center (www.sam.gov) for all vendors with whom the Cooperative has contracts with exceeding \$25,000 to confirm they are not suspended, debarred, or otherwise excluded from or ineligible to participate in federal assistance programs.



Signature



Title



Date

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CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Courtney Brown, Treasurer
Contact Phone Number: 812-723-4717

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

- The Treasurer developed new procedures in August of 2018 in regards to internal controls of the SEFA report.
- The Superintendent now reviews the grant information entered on the SEFA report by the treasurer and approves the report and confirms the information and amounts are accurate.

Anticipated Completion Date: Completed August 2018.

Courtney Brown

Signature

Corporation Treasurer

Title

11/12/18

Date

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TREASURER

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DEPUTY TREASURER

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Courtney Brown, Treasurer and Lisa Muth, Centralized School Lunch Treasurer
Contact Phone Number: 812-723-4717

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

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

Anticipated Completion Date: Corporation Actions completed May 2017.
School Lunch Account completed July 2017.

Courtney Brown

Signature

Corporation Treasurer

Title

11/12/18

Date

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TREASURER

LISA MUTH
SECRETARY

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DEPUTY TREASURER

CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: Courtney Brown, Treasurer and Lisa Muth, Centralized School Lunch Treasurer
Contact Phone Number: 812-723-4717

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

- The High School ECA treasurer processes free and reduced applications and the HS assistant principal or Elementary principal review all applications and verify information and eligibility are correct by signing all applications.
- The Corporation Treasurer prepares the Annual Financial Report and Monthly Sponsor Claims. The Centralized School Lunch Treasurer now reviews the Annual Financial Report and Monthly Sponsor Claims for accuracy and approval.
- The Elementary principal prepares the SFA Verification Collection Reports and the Centralized School Lunch Treasurer now reviews the report for accuracy and approval.
- The Corporation Treasurer prepares the Paid Lunch Equity Tool and the Centralized School Lunch Treasurer now reviews the tool for accuracy and approval.

Anticipated Completion Date: Eligibility completed January 2017.
Reporting and Verification Procedures completed October 2018.
Paid Lunch Equity anticipated March 2019.

Courtney Brown

Signature

Corporation Treasurer

Title

11/12/18

Date

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DEPUTY TREASURER

CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Courtney Brown, Treasurer and Cindy Eubank, Deputy Treasurer
Contact Phone Number: 812-723-4717

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

- The Deputy Treasurer prepares the Semi-Annual Certification and it is reviewed and verified by the Corporation Treasurer.
- Special Education Shared Employees give the Deputy Treasurer a time sheet each pay period indicating what corporation they worked at each day.

Anticipated Completion Date: Completed July 2017.

Courtney Brown

Signature

Corporation Treasurer

Title

11/12/18

Date

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TREASURER

LISA MUTH
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CINDY EUBANK
DEPUTY TREASURER

CORRECTIVE ACTION PLAN

FINDING 2017-005

Contact Person Responsible for Corrective Action: Special Education Director, Janice Oakley and Superintendent, Greg Walker
Contact Phone Number: 812-723-4717

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

- The Special Education Director will ensure that all contractors are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded by any federal agency or by any department, agency or political subdivision of the State of Indiana. The Coop Board/Superintendent will ensure that all documentation required for subcontractors is on file at the Special Education Cooperative office.

Anticipated Completion Date: Completed October 2017.

Courtney Brown

Signature

Corporation Treasurer

Title

11/12/18

Date

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TREASURER

LISA MUTH
SECRETARY

CINDY EUBANK
DEPUTY TREASURER

CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Courtney Brown, Treasurer
Contact Phone Number: 812-723-4717

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

- The Cooperative Treasurer will send the Corporation Treasurer acknowledgment from IDOE stating the final report was submitted and the documentation will include the Cooperative Director's signature.

Anticipated Completion Date: Completed August 2018.

Cindy Brown

Signature

Corporation Treasurer

Title

11/12/18

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/>.