

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

RANDOLPH EASTERN SCHOOL CORPORATION  
RANDOLPH COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**  
02/27/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brenda Peacock	01-01-15 to 12-31-18
Superintendent of Schools	Lisa K. Smith Alice Johnson (interim)	01-01-15 to 07-31-18 08-01-18 to 01-31-19
President of the School Board	Selina Miller Greg Whitesel	01-01-15 to 12-31-16 01-01-17 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE RANDOLPH EASTERN SCHOOL CORPORATION, RANDOLPH COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Randolph Eastern 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 December 27, 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

December 27, 2018



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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 RANDOLPH EASTERN SCHOOL  
CORPORATION, RANDOLPH 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 Randolph Eastern 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 December 27, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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

**Compliance and Other Matters**

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

**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

December 27, 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.

RANDOLPH EASTERN 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	\$ 1,292,918	\$ 5,862,124	\$ 6,033,195	\$ -	\$ 1,121,847	\$ 5,989,904	\$ 5,840,190	\$ 1,709	\$ 1,273,270
Debt Service	261,359	806,906	711,819	-	356,446	736,811	726,098	-	367,159
Capital Projects	397,685	771,208	748,388	-	420,505	735,320	500,662	-	655,163
School Transportation	403,579	512,730	377,993	148	538,464	516,599	401,513	(100,000)	553,550
School Bus Replacement	114,132	100,026	92,647	-	121,511	101,216	138,716	-	84,011
Rainy Day	1,662,391	10,769	80,390	-	1,592,770	20,000	190,000	100,000	1,522,770
School Lunch	176,374	419,866	452,690	-	143,550	412,010	443,370	-	112,190
Textbook Rental	41,452	113,585	88,071	-	66,966	118,043	106,873	-	78,136
Levy Excess	148	-	-	(148)	-	-	-	-	-
Educational License Plates	150	169	319	-	-	113	113	-	-
Top Ten Award	-	1,000	200	-	800	-	700	-	100
Community Grant	667	2,911	1,411	-	2,167	1,275	2,606	-	836
John D. Wilson Scholarship Fund	5,400	7,008	5,400	-	7,008	8,116	7,008	-	8,116
David and Carol Young Scholarship	43,236	35,003	43,236	-	35,003	30,052	35,004	-	30,051
Bill and Mary Lou Fulk Scholarship	1,000	1,000	1,000	-	1,000	1,001	1,000	-	1,001
W L Witters Biol Preserve	2,081	-	-	-	2,081	-	-	-	2,081
B Everett Memorial Nature Prog	45	-	-	-	45	-	-	-	45
Community Foundation/Literacy Coalition	82	-	-	-	82	-	82	-	-
Formative Assessment	-	11,308	11,308	-	-	10,799	10,799	-	-
G/T High Ability Grant FY 14-15	3,371	-	3,371	-	-	-	-	-	-
G/T High Ability Grant FY 15-16	-	28,292	27,922	-	370	-	370	-	-
G/T High Ability Grant FY 16-17	-	-	-	-	-	28,110	24,151	-	3,959
Medicaid Reimbursement	1,206	2,710	3,067	-	849	4,615	3,302	-	2,162
Secured Schools Safety Grant	1,397	1,073	2,470	-	-	-	-	-	-
NESP 15-16	-	11,824	11,824	-	-	-	-	-	-
NESP 16-17	-	-	-	-	-	13,295	13,295	-	-
School Technology	125	4,404	4,529	-	-	6,308	3,830	-	2,478
Career and Technical Performance Grant	-	-	-	-	-	846	-	-	846

RANDOLPH EASTERN 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
PHC Wellness-YMCA	-	2,943	2,085	-	858	-	759	-	99
Teacher Instruction Mini-Grant	2,037	500	1,004	-	1,533	150	993	-	690
Title I FY15	(29,990)	123,672	93,682	-	-	-	-	-	-
Title I FY16	-	243,751	267,052	-	(23,301)	128,471	105,170	-	-
Title I FY17	-	-	-	-	-	241,763	276,838	-	(35,075)
IDEA Part B, P.L. 105-17 FY 14-15	(9,702)	9,702	-	-	-	-	-	-	-
IDEA Part B, P.L. 105-17 FY16	-	194,243	200,578	-	(6,335)	6,335	-	-	-
IDEA Part B, P.L. 105-17 FY17	-	-	-	-	-	168,608	190,944	-	(22,336)
Medicaid Reimbursement - Federal	20,569	4,946	5,793	-	19,722	8,462	1,349	-	26,835
Title II, A FY13	-	16,618	16,618	-	-	-	-	-	-
Title II, A FY14	-	18,187	20,919	-	(2,732)	17,994	15,262	-	-
Title II, A FY15	-	-	-	-	-	33,275	33,275	-	-
Title II, A FY16	-	-	-	-	-	10,005	15,107	-	(5,102)
Rural & Low Income School FY13	-	10,786	10,786	-	-	-	-	-	-
Rural & Low Income School FY14	-	10,505	10,505	-	-	7,489	7,489	-	-
Rural & Low Income School FY15	-	28	28	-	-	3,248	3,248	-	-
Title III, English Prof 14-15	(8,310)	9,469	1,159	-	-	-	-	-	-
Title III, English Prof 15-16	-	-	7,743	-	(7,743)	10,193	2,450	-	-
Title III, English Prof 16-17	-	-	-	-	-	-	6,283	-	(6,283)
Textbook Clearing	-	48,378	48,378	-	-	48,932	48,932	-	-
Prepaid Food	-	1,958	-	-	1,958	5,415	6,366	-	1,007
Payroll Clearing	34,384	1,681,545	1,687,207	-	28,722	1,621,311	1,611,579	-	38,454
Totals	\$ 4,417,786	\$ 11,081,147	\$ 11,074,787	\$ -	\$ 4,424,146	\$ 11,046,084	\$ 10,775,726	\$ 1,709	\$ 4,696,213

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

RANDOLPH EASTERN 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.

RANDOLPH EASTERN 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.

RANDOLPH EASTERN 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.

RANDOLPH EASTERN 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

RANDOLPH EASTERN 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.

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2016 and 2017.

**Note 8. Holding Corporation**

The School Corporation has entered into a capital lease with Randolph Eastern 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 2016 and 2017 totaled \$175,000 and \$177,500, respectively.

**Note 9. Subsequent Event**

On April 25, 2018, the School Corporation issued \$995,000 in General Obligation Bonds of 2018 for upgrades to the HVAC system.

#### 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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RANDOLPH EASTERN SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2016

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 1,292,918	\$ 261,359	\$ 397,685	\$ 403,579	\$ 114,132	\$ 1,662,391	\$ 176,374	\$ 41,452	\$ 148
Receipts:									
Local sources	62,307	806,906	771,208	512,730	100,026	10,769	86,082	65,207	-
Intermediate sources	23	-	-	-	-	-	-	-	-
State sources	5,795,275	-	-	-	-	-	2,855	48,378	-
Federal sources	4,419	-	-	-	-	-	330,749	-	-
Other receipts	100	-	-	-	-	-	180	-	-
Total receipts	5,862,124	806,906	771,208	512,730	100,026	10,769	419,866	113,585	-
Disbursements:									
Instruction	4,128,625	-	-	-	-	-	-	-	-
Support services	1,807,112	-	227,801	377,993	92,647	-	2,138	88,071	-
Noninstructional services	97,458	-	-	-	-	-	450,552	-	-
Facilities acquisition and construction	-	-	520,587	-	-	80,390	-	-	-
Debt service	-	711,819	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	6,033,195	711,819	748,388	377,993	92,647	80,390	452,690	88,071	-
Excess (deficiency) of receipts over disbursements	(171,071)	95,087	22,820	134,737	7,379	(69,621)	(32,824)	25,514	-
Other financing sources (uses):									
Transfers in	-	-	-	148	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(148)
Total other financing sources (uses)	-	-	-	148	-	-	-	-	(148)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(171,071)	95,087	22,820	134,885	7,379	(69,621)	(32,824)	25,514	(148)
Cash and investments - ending	\$ 1,121,847	\$ 356,446	\$ 420,505	\$ 538,464	\$ 121,511	\$ 1,592,770	\$ 143,550	\$ 66,966	\$ -

RANDOLPH EASTERN SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	Educational License Plates	Top Ten Award	Community Grant	John D. Wilson Scholarship Fund	David and Carol Young Scholarship	Bill and Mary Lou Fulk Scholarship	W L Witters Biol Preserve	B Everett Memorial Nature Prog	Community Foundation/ Literacy Coalition
Cash and investments - beginning	\$ 150	\$ -	\$ 667	\$ 5,400	\$ 43,236	\$ 1,000	\$ 2,081	\$ 45	\$ 82
Receipts:									
Local sources	-	1,000	2,911	7,008	35,003	1,000	-	-	-
Intermediate sources	169	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	169	1,000	2,911	7,008	35,003	1,000	-	-	-
Disbursements:									
Instruction	319	-	1,411	-	86	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	200	-	5,400	43,150	1,000	-	-	-
Total disbursements	319	200	1,411	5,400	43,236	1,000	-	-	-
Excess (deficiency) of receipts over disbursements	(150)	800	1,500	1,608	(8,233)	-	-	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(150)	800	1,500	1,608	(8,233)	-	-	-	-
Cash and investments - ending	\$ -	\$ 800	\$ 2,167	\$ 7,008	\$ 35,003	\$ 1,000	\$ 2,081	\$ 45	\$ 82

RANDOLPH EASTERN SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2016

	Formative Assessment	G/T High Ability Grant FY 14-15	G/T High Ability Grant FY 15-16	G/T High Ability Grant FY 16-17	Medicaid Reimbursement	Secured Schools Safety Grant	NESP 15-16	NESP 16-17	School Technology
Cash and investments - beginning	\$ -	\$ 3,371	\$ -	\$ -	\$ 1,206	\$ 1,397	\$ -	\$ -	\$ 125
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	11,308	-	28,292	-	2,710	1,073	11,824	-	4,404
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	11,308	-	28,292	-	2,710	1,073	11,824	-	4,404
Disbursements:									
Instruction	-	3,371	27,922	-	-	-	11,824	-	-
Support services	11,308	-	-	-	3,067	2,470	-	-	4,529
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	11,308	3,371	27,922	-	3,067	2,470	11,824	-	4,529
Excess (deficiency) of receipts over disbursements	-	(3,371)	370	-	(357)	(1,397)	-	-	(125)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(3,371)	370	-	(357)	(1,397)	-	-	(125)
Cash and investments - ending	\$ -	\$ -	\$ 370	\$ -	\$ 849	\$ -	\$ -	\$ -	\$ -

RANDOLPH EASTERN SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2016

	Career and Technical Performance Grant	PHC Wellness- YMCA	Teacher Instruction Mini-Grant	Title I FY15	Title I FY16	Title I FY17	IDEA Part B, P.L. 105-17 FY 14-15	IDEA Part B, P.L. 105-17 FY16
Cash and investments - beginning	\$ -	\$ -	\$ 2,037	\$ (29,990)	\$ -	\$ -	\$ (9,702)	\$ -
Receipts:								
Local sources	-	2,943	500	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	123,672	243,751	-	9,702	194,243
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	2,943	500	123,672	243,751	-	9,702	194,243
Disbursements:								
Instruction	-	-	1,004	93,682	261,304	-	-	200,578
Support services	-	2,085	-	-	5,532	-	-	-
Noninstructional services	-	-	-	-	216	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	2,085	1,004	93,682	267,052	-	-	200,578
Excess (deficiency) of receipts over disbursements	-	858	(504)	29,990	(23,301)	-	9,702	(6,335)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	858	(504)	29,990	(23,301)	-	9,702	(6,335)
Cash and investments - ending	\$ -	\$ 858	\$ 1,533	\$ -	\$ (23,301)	\$ -	\$ -	\$ (6,335)

RANDOLPH EASTERN SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2016

	IDEA Part B, P.L. 105-17 FY17	Medicaid Reimbursement - Federal	Title II, A FY13	Title II, A FY14	Title II, A FY15	Title II, A FY16	Rural & Low Income School FY13	Rural & Low Income School FY14
Cash and investments - beginning	\$ -	\$ 20,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	4,946	16,618	18,187	-	-	10,786	10,505
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	4,946	16,618	18,187	-	-	10,786	10,505
Disbursements:								
Instruction	-	99	-	-	-	-	-	-
Support services	-	5,694	16,618	20,919	-	-	10,786	10,505
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	5,793	16,618	20,919	-	-	10,786	10,505
Excess (deficiency) of receipts over disbursements	-	(847)	-	(2,732)	-	-	-	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(847)	-	(2,732)	-	-	-	-
Cash and investments - ending	\$ -	\$ 19,722	\$ -	\$ (2,732)	\$ -	\$ -	\$ -	\$ -

RANDOLPH EASTERN SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	Rural & Low Income School FY15	Title III, English Prof 14-15	Title III, English Prof 15-16	Title III, English Prof 16-17	Textbook Clearing	Prepaid Food	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ (8,310)	\$ -	\$ -	\$ -	\$ -	\$ 34,384	\$ 4,417,786
Receipts:								
Local sources	-	-	-	-	-	-	-	2,465,600
Intermediate sources	-	-	-	-	-	-	-	192
State sources	-	-	-	-	-	-	-	5,906,119
Federal sources	28	9,469	-	-	-	-	-	977,075
Other receipts	-	-	-	-	48,378	1,958	1,681,545	1,732,161
Total receipts	28	9,469	-	-	48,378	1,958	1,681,545	11,081,147
Disbursements:								
Instruction	-	1,159	5,397	-	-	-	1,687,207	6,423,988
Support services	28	-	2,346	-	-	-	-	2,691,649
Noninstructional services	-	-	-	-	-	-	-	548,226
Facilities acquisition and construction	-	-	-	-	-	-	-	600,977
Debt service	-	-	-	-	-	-	-	711,819
Nonprogrammed charges	-	-	-	-	48,378	-	-	98,128
Total disbursements	28	1,159	7,743	-	48,378	-	1,687,207	11,074,787
Excess (deficiency) of receipts over disbursements	-	8,310	(7,743)	-	-	1,958	(5,662)	6,360
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	148
Transfers out	-	-	-	-	-	-	-	(148)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	8,310	(7,743)	-	-	1,958	(5,662)	6,360
Cash and investments - ending	\$ -	\$ -	\$ (7,743)	\$ -	\$ -	\$ 1,958	\$ 28,722	\$ 4,424,146

RANDOLPH EASTERN SCHOOL CORPORATION  
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	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 1,121,847	\$ 356,446	\$ 420,505	\$ 538,464	\$ 121,511	\$ 1,592,770	\$ 143,550	\$ 66,966	\$ -
Receipts:									
Local sources	114,531	736,811	735,320	514,691	101,216	20,000	87,989	71,011	-
Intermediate sources	39	-	-	-	-	-	-	-	-
State sources	5,869,319	-	-	-	-	-	2,480	46,932	-
Federal sources	5,815	-	-	-	-	-	321,431	-	-
Other receipts	200	-	-	1,908	-	-	110	100	-
Total receipts	5,989,904	736,811	735,320	516,599	101,216	20,000	412,010	118,043	-
Disbursements:									
Instruction	4,002,319	-	-	-	-	-	-	-	-
Support services	1,739,680	-	237,369	401,513	138,716	-	110	106,873	-
Noninstructional services	98,191	-	-	-	-	-	443,260	-	-
Facilities acquisition and construction	-	-	263,293	-	-	190,000	-	-	-
Debt service	-	726,098	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	5,840,190	726,098	500,662	401,513	138,716	190,000	443,370	106,873	-
Excess (deficiency) of receipts over disbursements	149,714	10,713	234,658	115,086	(37,500)	(170,000)	(31,360)	11,170	-
Other financing sources (uses):									
Sale of capital assets	1,709	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	100,000	-	-	-
Transfers out	-	-	-	(100,000)	-	-	-	-	-
Total other financing sources (uses)	1,709	-	-	(100,000)	-	100,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	151,423	10,713	234,658	15,086	(37,500)	(70,000)	(31,360)	11,170	-
Cash and investments - ending	\$ 1,273,270	\$ 367,159	\$ 655,163	\$ 553,550	\$ 84,011	\$ 1,522,770	\$ 112,190	\$ 78,136	\$ -

RANDOLPH EASTERN SCHOOL CORPORATION  
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	Educational License Plates	Top Ten Award	Community Grant	John D. Wilson Scholarship Fund	David and Carol Young Scholarship	Bill and Mary Lou Fulk Scholarship	W L Witters Biol Preserve	B Everett Memorial Nature Prog	Community Foundation/ Literacy Coalition
Cash and investments - beginning	\$ -	\$ 800	\$ 2,167	\$ 7,008	\$ 35,003	\$ 1,000	\$ 2,081	\$ 45	\$ 82
Receipts:									
Local sources	-	-	1,275	8,116	30,052	1,001	-	-	-
Intermediate sources	113	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	113	-	1,275	8,116	30,052	1,001	-	-	-
Disbursements:									
Instruction	113	-	1,756	-	-	-	-	-	82
Support services	-	-	850	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	700	-	7,008	35,004	1,000	-	-	-
Total disbursements	113	700	2,606	7,008	35,004	1,000	-	-	82
Excess (deficiency) of receipts over disbursements	-	(700)	(1,331)	1,108	(4,952)	1	-	-	(82)
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	-	(700)	(1,331)	1,108	(4,952)	1	-	-	(82)
Cash and investments - ending	\$ -	\$ 100	\$ 836	\$ 8,116	\$ 30,051	\$ 1,001	\$ 2,081	\$ 45	\$ -

RANDOLPH EASTERN SCHOOL CORPORATION  
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	Formative Assessment	G/T High Ability Grant FY 14-15	G/T High Ability Grant FY 15-16	G/T High Ability Grant FY 16-17	Medicaid Reimbursement	Secured Schools Safety Grant	NESP 15-16	NESP 16-17	School Technology
Cash and investments - beginning	\$ -	\$ -	\$ 370	\$ -	\$ 849	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	10,799	-	-	28,110	4,615	-	-	13,295	6,308
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	10,799	-	-	28,110	4,615	-	-	13,295	6,308
Disbursements:									
Instruction	-	-	370	24,151	-	-	-	13,295	-
Support services	10,799	-	-	-	3,302	-	-	-	3,830
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	10,799	-	370	24,151	3,302	-	-	13,295	3,830
Excess (deficiency) of receipts over disbursements	-	-	(370)	3,959	1,313	-	-	-	2,478
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	-	-	(370)	3,959	1,313	-	-	-	2,478
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 3,959	\$ 2,162	\$ -	\$ -	\$ -	\$ 2,478

RANDOLPH EASTERN SCHOOL CORPORATION  
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	Career and Technical Performance Grant	PHC Wellness- YMCA	Teacher Instruction Mini-Grant	Title I FY15	Title I FY16	Title I FY17	IDEA Part B, P.L. 105-17 FY 14-15	IDEA Part B, P.L. 105-17 FY16
Cash and investments - beginning	\$ -	\$ 858	\$ 1,533	\$ -	\$ (23,301)	\$ -	\$ -	\$ (6,335)
Receipts:								
Local sources	-	-	150	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	846	-	-	-	-	-	-	-
Federal sources	-	-	-	-	128,471	241,763	-	6,335
Other receipts	-	-	-	-	-	-	-	-
Total receipts	846	-	150	-	128,471	241,763	-	6,335
Disbursements:								
Instruction	-	-	993	-	105,170	271,275	-	-
Support services	-	759	-	-	-	5,400	-	-
Noninstructional services	-	-	-	-	-	163	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	759	993	-	105,170	276,838	-	-
Excess (deficiency) of receipts over disbursements	846	(759)	(843)	-	23,301	(35,075)	-	6,335
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	846	(759)	(843)	-	23,301	(35,075)	-	6,335
Cash and investments - ending	\$ 846	\$ 99	\$ 690	\$ -	\$ -	\$ (35,075)	\$ -	\$ -

RANDOLPH EASTERN 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

	IDEA Part B, P.L. 105-17 FY17	Medicaid Reimbursement - Federal	Title II, A FY13	Title II, A FY14	Title II, A FY15	Title II, A FY16	Rural & Low Income School FY13	Rural & Low Income School FY14
Cash and investments - beginning	\$ -	\$ 19,722	\$ -	\$ (2,732)	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	168,608	8,462	-	17,994	33,275	10,005	-	7,489
Other receipts	-	-	-	-	-	-	-	-
Total receipts	168,608	8,462	-	17,994	33,275	10,005	-	7,489
Disbursements:								
Instruction	190,944	70	-	-	-	-	-	-
Support services	-	1,279	-	15,262	33,275	15,107	-	7,489
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	190,944	1,349	-	15,262	33,275	15,107	-	7,489
Excess (deficiency) of receipts over disbursements	(22,336)	7,113	-	2,732	-	(5,102)	-	-
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	(22,336)	7,113	-	2,732	-	(5,102)	-	-
Cash and investments - ending	\$ (22,336)	\$ 26,835	\$ -	\$ -	\$ -	\$ (5,102)	\$ -	\$ -

RANDOLPH EASTERN 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

	Rural & Low Income School FY15	Title III, English Prof 14-15	Title III, English Prof 15-16	Title III, English Prof 16-17	Textbook Clearing	Prepaid Food	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (7,743)	\$ -	\$ -	\$ 36,342	\$ (5,662)	\$ 4,424,146
Receipts:								
Local sources	-	-	-	-	-	-	-	2,422,163
Intermediate sources	-	-	-	-	-	-	-	152
State sources	-	-	-	-	-	-	-	5,982,704
Federal sources	3,248	-	10,193	-	-	-	-	963,089
Other receipts	-	-	-	-	48,932	5,415	1,621,311	1,677,976
Total receipts	3,248	-	10,193	-	48,932	5,415	1,621,311	11,046,084
Disbursements:								
Instruction	-	-	-	3,831	-	-	1,611,579	6,225,948
Support services	3,248	-	2,450	2,452	-	-	-	2,729,763
Noninstructional services	-	-	-	-	-	-	-	541,614
Facilities acquisition and construction	-	-	-	-	-	-	-	453,293
Debt service	-	-	-	-	-	-	-	726,098
Nonprogrammed charges	-	-	-	-	48,932	6,366	-	99,010
Total disbursements	3,248	-	2,450	6,283	48,932	6,366	1,611,579	10,775,726
Excess (deficiency) of receipts over disbursements	-	-	7,743	(6,283)	-	(951)	9,732	270,358
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	1,709
Transfers in	-	-	-	-	-	-	-	100,000
Transfers out	-	-	-	-	-	-	-	(100,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	1,709
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	7,743	(6,283)	-	(951)	9,732	272,067
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (6,283)	\$ -	\$ 35,391	\$ 4,070	\$ 4,696,273

RANDOLPH EASTERN SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 180,566</u>	<u>\$ 103,827</u>

RANDOLPH EASTERN SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Pitney Bowes	Postage meter equipment	\$ 2,040	9/12/2016	12/12/2021
Randolph Eastern School Building Corporation	QZAB 2006 - Construction	185,000	12/15/2005	12/31/2021
Sharp Business Systems	Copier maintenance	13,056	3/16/2015	6/30/2020
Wells Fargo Financial	Copier equipment	<u>15,912</u>	3/16/2015	6/30/2020
Total governmental activities		<u>216,008</u>		
Total of annual lease payments		<u>\$ 216,008</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Common School Loan A0497- Construction	\$ 2,092,284	\$ 279,119
Notes and loans payable	Common School Loan A0559 - Construction	<u>2,960,000</u>	<u>257,000</u>
Total governmental activities		<u>5,052,284</u>	<u>536,119</u>
Totals		<u>\$ 5,052,284</u>	<u>\$ 536,119</u>

RANDOLPH EASTERN 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	\$ 133,341
Buildings	16,518,405
Improvements other than buildings	1,607,213
Machinery, equipment, and vehicles	2,167,559
Construction in progress	<u>515,613</u>
Total governmental activities	<u>20,942,131</u>
Total capital assets	<u>\$ 20,942,131</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE RANDOLPH EASTERN SCHOOL CORPORATION, RANDOLPH COUNTY, INDIANA

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

We have audited the Randolph Eastern 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 item 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance finding 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 2017-001 and 2017-002, 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

December 27, 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.

RANDOLPH EASTERN 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					
School Breakfast Reimbursement			15-6835	\$ -	\$ 55,129	\$ -	\$ -
School Breakfast Reimbursement			16-6835	-	-	-	49,240
Total - School Breakfast Program				-	55,129	-	49,240
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Reimbursement			15-6835	-	275,620	-	-
School Lunch Reimbursement			16-6835	-	-	-	270,543
Commodities				-	34,305	-	44,106
Total - National School Lunch Program				-	309,925	-	314,649
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Lunch Food Program			16-6835	-	-	-	1,648
Total - Summer Food Service Program for Children				-	-	-	1,648
Total - Child Nutrition Cluster				-	365,054	-	365,537
Total - Department of Agriculture				-	365,054	-	365,537
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
Special Ed IDEA P.L.105-17 Part B 611 FY15			14215-066-PN01	-	9,915	-	-
Special Ed IDEA P.L.105-17 Part B 611 FY16			14216-064-PN01	-	-	-	6,667
Special Ed IDEA P.L.105-17 Part B 611 FY16			14216-066-PN01	-	204,164	-	-
Special Ed IDEA P.L.105-17 Part B 611 FY17			14217-064-PN01	-	-	-	179,362
Total - Special Education_Grants to States				-	214,079	-	186,029
Special Education_Preschool Grants	Indiana Department of Education	84.173					
Special Ed Preschool 619 FY15			45715-066-PN01	-	3,934	-	-
Special Ed Preschool 619 FY16			45716-064-PN01	-	6,646	-	-
Special Ed Preschool 619 FY16			45716-064-PN01	-	-	-	6,842
Special Ed Preschool 619 FY17			45717-064-PN01	-	-	-	6,769
Total - Special Education_Preschool Grants				-	10,580	-	13,611
Total - Special Education Cluster (IDEA)				-	224,659	-	199,640
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I FY15			15-6835	-	123,672	-	-
Title I FY16			16-6835	-	243,751	-	-
Title I FY16			S010A150014	-	-	-	128,471
Title I FY17			S010A160014	-	-	-	241,763
Total - Title I Grants to Local Educational Agencies				-	367,423	-	370,234

RANDOLPH EASTERN 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
Rural Education	Indiana Department of Education	84.358					
Rural & Low Income School FY13			13-6835	-	10,786	-	-
Rural & Low Income School FY14			14-6835	-	10,505	-	-
Rural & Low Income School FY15			15-6835	-	28	-	-
Rural & Low Income School FY14			7000S358B140014	-	-	-	7,489
Rural & Low Income School FY15			7000S358B150014	-	-	-	3,248
<b>Total - Rural Education</b>				<b>-</b>	<b>21,319</b>	<b>-</b>	<b>10,737</b>
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III Limited English Prof 14-15			01115-109-PN01	-	9,469	-	-
Title III Limited English Prof 15-16			01116-122-PN01	-	-	-	10,193
Title III Limited English Prof 15-16			01116-122-PN01	-	-	-	-
Title III Limited English Prof 16-17			01117-205-PN01	-	-	-	-
<b>Total - English Language Acquisition State Grants</b>				<b>-</b>	<b>9,469</b>	<b>-</b>	<b>10,193</b>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II A FY13			13-6835	-	16,618	-	-
Title II A FY14			14-6835	-	18,187	-	-
Title II A FY14			S367A140013	-	-	-	17,994
Title II A FY15			S367A150015	-	-	-	33,275
Title II A FY16			S367A160013	-	-	-	10,005
<b>Total - Supporting Effective Instruction State Grants</b>				<b>-</b>	<b>34,805</b>	<b>-</b>	<b>61,274</b>
<b>Total - Department of Education</b>				<b>-</b>	<b>657,675</b>	<b>-</b>	<b>652,078</b>
<b>Department of Health and Human Services</b>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid (MAC)			16-6835	-	4,419	-	-
Medicaid (MAC)			17-6835	-	-	-	5,815
<b>Total - Medical Assistance Program</b>				<b>-</b>	<b>4,419</b>	<b>-</b>	<b>5,815</b>
<b>Total - Medicaid Cluster</b>				<b>-</b>	<b>4,419</b>	<b>-</b>	<b>5,815</b>
<b>Total - Department of Health and Human Services</b>				<b>-</b>	<b>4,419</b>	<b>-</b>	<b>5,815</b>
<b>Total federal awards expended</b>				<b>\$ -</b>	<b>\$ 1,027,148</b>	<b>\$ -</b>	<b>\$ 1,023,430</b>

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

RANDOLPH EASTERN 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.

RANDOLPH EASTERN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
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**

No matters are reportable.

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

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

**FINDING 2017-001**

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): 15-6835, 16-6835

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility,  
Procurement and Suspension and Debarment, Program Income, Reporting,  
Special Tests and Provisions - Verification of Free and Reduced Price  
Applications (NSLP), 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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*Activities Allowed or Unallowed*

There was no control in place during the first year of the audit period to ensure that only the correct individuals were paid from the School Lunch fund. Payroll claims were prepared by the Food Service Director from time cards without documentation of a process for oversight, review, or approval by any other individual.

*Allowable Costs/Cost Principles*

There was no control in place during the first year of the audit period to ensure that only the correct individuals were paid from the School Lunch fund. Payroll claims were prepared by the Food Service Director from time cards without documentation of a process for oversight, review, or approval by any other individual.

*Eligibility*

Extracurricular Treasurers entered eligibility information into the food service software from the free/reduced lunch applications. There was no process for oversight, review, or approval by any other individual.

*Procurement and Suspension and Debarment*

There was no control in place during the first year of the audit period to ensure that the School Corporation did not contract with vendors who were suspended or debarred. While documents were retained proving compliance with the requirements, there was no evidence presented of a process for oversight or review to ensure that the requirements were being met.

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

*Program Income*

A control process had not been established to ensure that the income received under the food service program agreed to the records generated from the food service program. The Treasurer used reports provided by the Food Service Director to enter program information into the accounting system without a process for oversight, review, or approval by any other individual.

*Reporting*

Verification summary reports were prepared without an established process in place to ensure the reports agreed to the records prior to submission.

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

A control process had not been established to ensure the verification of free and reduced priced applications was performed in accordance with program requirements. Verifications were performed without an oversight or review process to determine the accuracy of the verifications.

*Special Tests and Provisions - Paid Lunch Equity*

A control process had not been established to ensure the paid lunch equity calculations were performed in accordance with program requirements. Paid lunch equity calculations were performed without an oversight or review process to determine the accuracy of the calculations.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

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). . . ."

*Cause*

Management had not developed a system of internal controls to ensure compliance with the compliance requirements identified above.

*Effect*

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements identified above.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2017-002**

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): 15-6835, 16-6835  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

*Condition*

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

The School Corporation did not have controls in place to ensure that three months average expenditures were calculated for comparison to monthly cash balances and to verify that the comparison was performed.

The balance (net cash resources) of the School Lunch fund exceeded 3 months average expenditures in 12 of the 24 months in the audit period.

*Context*

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

*Criteria*

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

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

award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(b) states: "*Net cash resources*. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:  
. . .

- (iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

*Cause*

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

*Effect*

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Cash Management compliance requirement.

*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 Cash Management 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.



# Randolph Eastern School Corporation

731 North Plum Street • Union City, Indiana • [www.resc.k12.in.us](http://www.resc.k12.in.us)

**Ph. (765) 964-4994**

**Fax (765) 964-6590**

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2015-001**

Fiscal year in which the finding initially occurred: 2013-14 and 2014-15  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Greater Randolph Interlocal Cooperative (GRIC)  
Contact Person Responsible for Corrective Action: Lisa Smith/Brenda Peacock  
Contact Phone Number: 765-964-4994

Status of Audit Finding: Resolved – The GRIC treasurer submits a record of receipts/expenditures that GRIC makes on behalf of RESC, and those receipts/expenditures are included on the SEFA prepared by the RESC treasurer.

### **FINDING 2015-002**

Fiscal year in which the finding initially occurred: 2013-14 and 2014-15  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: None  
Contact Person Responsible for Corrective Action: Lisa Smith/Brenda Peacock  
Contact Phone Number: 765-964-4994

Status of Audit Finding: Resolved – There has been a segregation of duties related to internal control of corporation receipts. The Deputy Treasurer accepts the money. The Treasurer prepares the receipt and the bank deposit slip. The Deputy Treasurer reviews, approves, and initials the bank deposit slip. The Treasurer takes the deposit to the bank.

### **FINDING 2015-003**

Fiscal year in which the finding initially occurred: 2013-14 and 2014-15  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept. of Education  
Contact Person Responsible for Corrective Action: Lisa Smith/Brenda Peacock/Mark Winkle  
Contact Phone Number: 765-964-4994

Status of Audit Finding: Resolved – The Deputy Treasurer prepares the Distribution Detail of employees paid with Title I funds and the Title I Director reviews and initials the documentation. The Treasurer continues to prepare and sign the monthly Requests for Reimbursement and the Title I Director reviews and initials the documentation. The Treasurer completes the Final Expenditure report and the Title I Director reviews and initials the documentation.

**FINDING 2015-004**

Fiscal year in which the finding initially occurred:2013-14 and 2014-15  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:Indiana Dept. of Education  
Contact Person Responsible for Corrective Action:Lisa Smith/Brenda Peacock/Mark Winkle  
Contact Phone Number:765-964-4994

Status of Audit Finding:Resolved – Time and Effort logs will be completed for Title I employees paid partially from Title I funds.

**FINDING 2015-005**

Fiscal year in which the finding initially occurred:2013-14 and 2014-15  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:Greater Randolph Interlocal Cooperative (GRIC)  
Contact Person Responsible for Corrective Action:Lisa Smith  
Contact Phone Number:765-964-4994

Status of Audit Finding:Resolved – The GRIC treasurer will check vendors through the Excluded Party List System related to the Procurement, Suspension, and Debarment compliance. The records will be maintained by GRIC.

**FINDING 2015-006**

Fiscal year in which the finding initially occurred:2013-14 and 2014-15  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:Indiana Dept. of Education  
Contact Person Responsible for Corrective Action:Lisa Smith/Brenda Peacock/Mark Winkle  
Contact Phone Number:765-964-4994

Status of Audit Finding:Resolved – The Treasurer continues to check Title I vendors in the Excluded Party List System to determine status of suspension or debarment. For vendors where "no record is found", a document is printed to verify this finding. Intervention consultants complete and sign a Debarment Statement.

Brenda R. Peacock  
(Signature)

Treasurer  
(Title)

11/29/18  
(Date)

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



# Randolph Eastern School Corporation

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Dr. Alice A. Johnson, Interim Superintendent

## CORRECTIVE ACTION PLAN

### **FINDING 2017-001**

Contact Person Responsible for Corrective Action: Aaron Black, Superintendent  
Contact Phone Number: 765-964-4994

Views of Responsible Official:

*We concur with the finding*

Description of Corrective Action Plan:

*Allowable Activities - While distribution reports in the tested sample were not verified by another individual, the current practice is that the payroll clerk prints the payroll distributions from federal funds with each employee along with which federal fund they are being paid out of. The payroll clerk submits these reports to the superintendent for verification and the superintendent signs or initials the report. This practice will continue.*

*Allowable Costs/Cost Principles - While distribution reports in the tested sample were not verified by another individual, the current practice is that the payroll clerk prints the payroll distributions from federal funds with each employee along with which federal fund they are being paid out of. The payroll clerk submits these reports to the superintendent for verification and the superintendent signs or initials the report. This practice will continue.*

*Eligibility - Effective immediately, the Cafeteria Manager shall verify and initial the paper application indicating what the Cafeteria Secretary has entered into the software program matches the information on the application and the verification was performed in accordance with program requirements. Each paper application will be stamped with the words Eligibility \_\_\_\_\_ and the words Program Requirements\_\_\_\_\_.*

*Procurement and Suspension and Debarment - The corporation treasurer prints debarment forms for each vendor. Effective immediately, all debarment forms will be verified and initialed by the superintendent to ensure compliance.*

*Program Income - Effective Immediately, the Cafeteria secretary will generate the Sales Activity Report and the cafeteria manager will generate the School food Service Daily Record of Meals/Milk Served Report. The Cafeteria Secretary will verify the Meals Served report by signing or initialing and the Cafeteria Manager shall verify the Activity Report by initialing or signing. These two corresponding reports should verify two forms of internal control that the income received agrees with the records generated from the food service program.*

*Reporting - Effective immediately, the cafeteria secretary shall submit the verification summary reports to the cafeteria manager, whom shall verify and initial the report.*

*Special Tests and Provisions - Verification of Free and Reduced Price Applications - Effective immediately, the Cafeteria Manager shall verify and initial the paper application indicating what the Cafeteria Secretary has entered into the software program matches the information on the application and the verification was performed in accordance with program requirements. Each paper application will be stamped with the words Eligibility \_\_\_\_\_ and the words Program Requirements\_\_\_\_\_.*

*Special Tests and Provisions - Paid Lunch Equity - Annually, the Cafeteria Manager will print the PLE tool and it will be verified and signed or initialed by the Corporation Financial Manager.*

*Anticipated Completion Date: Immediately*

**FINDING 2017-002**

Contact Person Responsible for Corrective Action: Aaron Black, Superintendent  
Contact Phone Number: 765-964-4994

Views of Responsible Official:

*We concur with the finding*

Description of Corrective Action Plan:

*Currently, the corporation treasurer submits to the cafeteria manager a monthly fund report of expenditures. Effective immediately, the cafeteria manager shall submit back to the corporation financial manager a quarterly report comparing the fund balance with the average quarterly expenditures. Should the fund balance exceed the average three months expenditures, the cafeteria manager shall file an accompanying report of planned expenditures to decrease the fund balance. The corporation financial manager shall sign all quarterly reports submitted to verify the compliance with calculating the three-month rule. In the case where a planned expenditures report is required, the corporation financial manager will verify and the superintendent shall approve/initial the planned expenditure report.*

*Reports will be submitted end of month: March, June, September, and December.*

*Anticipated Completion Date: Immediately*

*Alicia A. Johnson*  
\_\_\_\_\_  
(Signature)

*Interrim Superintendent*  
\_\_\_\_\_  
(Title)

*12-27-2018*  
\_\_\_\_\_  
(Date)

## OTHER REPORTS

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