

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

DELPHI COMMUNITY SCHOOL CORPORATION
CARROLL COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
05/20/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Deborah L. Speckman	07-01-12 to 06-30-16
Superintendent of Schools	Ralph Walker Gregory G. Briles	07-01-12 to 12-31-15 01-01-16 to 06-30-16
President of the School Board	Robert Resler Jerry Sparks William Trueblood	01-01-12 to 12-31-12 01-01-13 to 12-31-14 01-01-15 to 12-31-16



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE DELPHI COMMUNITY SCHOOL
CORPORATION, CARROLL COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Delphi Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement.

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 of 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 of 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, 2012 to June 30, 2014.

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, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of 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 March 7, 2016, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

March 7, 2016



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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 DELPHI COMMUNITY SCHOOL
CORPORATION, CARROLL 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 Delphi Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated March 7, 2016, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free 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*.

Delphi 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

March 7, 2016

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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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DELPHI COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

Fund	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ (257,563)	\$ 10,214,860	\$ 9,744,042	\$ 27,226	\$ 240,481	\$ 9,685,350	\$ 9,877,020	\$ (6,998)	\$ 41,813
Debt Service	341,195	1,919,758	1,788,943	(15,403)	456,607	1,956,990	1,850,377	-	563,220
Retirement/Severance Bond Debt Service	101,577	183,318	195,859	-	89,036	188,639	181,134	-	96,541
Capital Projects	31,018	1,280,332	847,505	-	463,845	1,336,161	1,096,842	-	703,164
School Transportation	285,400	1,198,048	1,168,939	-	314,509	1,350,936	1,333,735	-	331,710
School Bus Replacement	-	160,665	157,865	-	2,800	197,273	187,813	-	12,260
Rainy Day	737,864	-	-	124,420	862,284	-	-	-	862,284
Construction	696	-	696	-	-	-	-	-	-
HS/MS Science Wing/HVAC 2010	3,906	-	(3,894)	(7,800)	-	-	-	-	-
GO Bond 2011	238,231	-	246,031	7,800	-	-	-	-	-
GO Bond 2012	-	-	501,923	693,763	191,840	-	138,551	-	53,289
Multi School Bond 2014	-	-	-	-	-	-	352,597	1,956,021	1,603,424
School Lunch	419,529	777,301	768,973	-	427,857	706,063	846,117	-	287,803
Textbook Rental	57,770	194,602	239,427	15,403	28,348	163,207	202,408	-	(10,853)
Levy Excess	26,414	-	-	(26,414)	-	-	-	-	-
Child Care Program	1,808	6,176	7,984	-	-	-	-	-	-
Educational License Plates	-	19	-	-	19	38	-	-	57
SAFE School Haven	-	9,357	8,600	-	757	1,814	2,571	-	-
Early Intervention Grant	-	9,999	9,999	-	-	10,000	10,000	-	-
Donations & Gifts	-	2,396	2,024	-	372	540	500	-	412
Adult Education Testing	6,292	7,799	4,732	-	9,359	12,093	13,485	-	7,967
Scholarships and Awards	88,742	400	3,285	-	85,857	2,243	2,285	-	85,815
Student Computer Repair Fund	5,273	9,664	7,847	-	7,090	1,122	4,004	-	4,208
Adult and Continuing Education	(2,731)	-	(2,731)	-	-	-	-	-	-
Adult Ed State Funds 2011-12	(9,630)	10,516	886	-	-	-	-	-	-
Adult Ed State Funds 2012	-	15,127	22,115	-	(6,988)	7,848	860	-	-
Adult Ed State Funds 2013-14	-	-	-	-	-	33,723	26,692	-	7,031
Non-English Speaking Programs P.L. 273-1999	517	8,579	9,096	-	-	6,998	-	6,998	13,996
State Connectivity Grant	1,752	23,247	16,083	-	8,916	19,069	21,570	-	6,415
Performance Based Awards	-	-	-	-	-	118,158	118,158	-	-
Miscellaneous Programs	6,631	8,136	11,753	-	3,014	29,848	24,012	-	8,850
ISTA Settlement	-	-	-	-	-	590,303	423,285	-	167,018
Title I 2011-12	(24,053)	60,508	36,455	-	-	-	-	-	-
Title I 2012-13	-	228,622	253,903	-	(25,281)	26,281	1,000	-	-
Title I 2013-14	-	-	-	-	-	196,648	198,847	-	(2,199)
Innovative Education Program Strategies Title V (Part A)	165	(165)	-	-	-	-	-	-	-
Migrant Grant 2011-12	(6,734)	21,874	15,140	-	-	-	-	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	69,964	3,143	-	66,821	-	66,821	-	-
Adult Education and Family Literacy, Title II	896	-	896	-	-	-	-	-	-
Adult Ed/Thru LSC 2011-12	(5,092)	5,573	481	-	-	-	-	-	-
Adult Ed Federal 2012	-	18,122	19,195	-	(1,073)	905	(168)	-	-
Adult Ed Fed Pro Dev 2012-13	-	271	271	-	-	24,362	33,122	-	(8,760)
Adult Ed Innovation Grant 2012	-	2,522	3,267	-	(745)	745	-	-	-
Title II - Dwight D. Eisenhower - Science and Math Technology Grants	9	-	9	-	-	-	-	-	-
Temporary Loan 1/16/12	(1,369)	-	(1,369)	-	-	-	-	-	-
PLTW-Wired Grant	812	-	-	(812)	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	-	59,954	59,954	-	-	60,182	60,182	-	-
Title III - Language Instruction	(942)	1,954	1,012	-	-	-	2,276	-	(2,276)
Education Jobs	-	6,620	6,620	-	-	-	-	-	-
Payroll Deductions	8,123	2,426,283	2,434,406	-	-	2,451,083	2,451,083	-	-
Cafeteria Clearing Account	-	-	-	-	-	6,364	-	-	6,364
Totals	\$ 2,056,506	\$ 18,942,401	\$ 18,591,365	\$ 818,183	\$ 3,225,725	\$ 19,184,986	\$ 19,527,179	\$ 1,956,021	\$ 4,839,553

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

DELPHI 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, 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 which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

DELPHI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include 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 which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows 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:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

DELPHI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Transfers out which includes money 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 money 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 money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

DELPHI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

DELPHI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. Most are the result of federal reimbursements for expenditures made by the School Corporation that were not received by June 30, 2013 or 2014. The Textbook Rental Fund was overdrawn at June 30, 2014 due to expenditures exceeding receipts.

Note 8. Holding Corporation

The School Corporation has two capital leases with the Delphi Community Multi-School Building Corporation. The lessor is 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, 2013 and 2014 totaled \$408,000 and \$445,000, respectively.

OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

DELPHI 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, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	HS/MS Science Wing/HVAC 2010
Cash and investments - beginning	\$ (257,563)	\$ 341,195	\$ 101,577	\$ 31,018	\$ 285,400	\$ -	\$ 737,864	\$ 696	\$ 3,906
Receipts:									
Local sources	118,114	1,919,758	183,318	1,275,453	1,197,607	160,665	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	10,088,556	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	8,190	-	-	4,879	441	-	-	-	-
Total receipts	10,214,860	1,919,758	183,318	1,280,332	1,198,048	160,665	-	-	-
Disbursements:									
Current:									
Instruction	6,498,700	-	-	-	-	-	-	-	-
Support services	3,001,584	25,499	-	407,342	1,168,939	157,865	-	-	-
Noninstructional services	243,758	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	333,340	-	-	-	696	(3,894)
Debt services	-	1,763,444	195,859	106,823	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	9,744,042	1,788,943	195,859	847,505	1,168,939	157,865	-	696	(3,894)
Excess (deficiency) of receipts over disbursements	470,818	130,815	(12,541)	432,827	29,109	2,800	-	(696)	3,894
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	124,420	-	-
Transfers in	27,226	-	-	-	-	-	-	-	(7,800)
Transfers out	-	(15,403)	-	-	-	-	-	-	-
Total other financing sources (uses)	27,226	(15,403)	-	-	-	-	124,420	-	(7,800)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	498,044	115,412	(12,541)	432,827	29,109	2,800	124,420	(696)	(3,906)
Cash and investments - ending	\$ 240,481	\$ 456,607	\$ 89,036	\$ 463,845	\$ 314,509	\$ 2,800	\$ 862,284	\$ -	\$ -

DELPHI 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, 2013
 (Continued)

	GO Bond 2011	GO Bond 2012	Multi School Bond 2014	School Lunch	Textbook Rental	Levy Excess	Child Care Program	Educational License Plates	SAFE School Haven
Cash and investments - beginning	\$ 238,231	\$ -	\$ -	\$ 419,529	\$ 57,770	\$ 26,414	\$ 1,808	\$ -	\$ -
Receipts:									
Local sources	-	-	-	293,936	131,770	-	6,176	-	-
Intermediate sources	-	-	-	-	-	-	-	19	-
State sources	-	-	-	7,564	62,832	-	-	-	9,357
Federal sources	-	-	-	472,985	-	-	-	-	-
Other	-	-	-	2,816	-	-	-	-	-
Total receipts	-	-	-	777,301	194,602	-	6,176	19	9,357
Disbursements:									
Current:									
Instruction	-	-	-	-	2,128	-	-	-	6,200
Support services	-	-	-	-	237,299	-	-	-	2,400
Noninstructional services	-	-	-	740,640	-	-	7,984	-	-
Facilities acquisition and construction	246,031	501,923	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	28,333	-	-	-	-	-
Total disbursements	246,031	501,923	-	768,973	239,427	-	7,984	-	8,600
Excess (deficiency) of receipts over disbursements	(246,031)	(501,923)	-	8,328	(44,825)	-	(1,808)	19	757
Other financing sources (uses):									
Proceeds of long-term debt	-	693,763	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	7,800	-	-	-	15,403	(26,414)	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	7,800	693,763	-	-	15,403	(26,414)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(238,231)	191,840	-	8,328	(29,422)	(26,414)	(1,808)	19	757
Cash and investments - ending	\$ -	\$ 191,840	\$ -	\$ 427,857	\$ 28,348	\$ -	\$ -	\$ 19	\$ 757

DELPHI 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, 2013
 (Continued)

	Early Intervention Grant	Donations & Gifts	Adult Education Testing	Scholarships and Awards	Student Computer Repair Fund	Adult and Continuing Education	Adult Ed State Funds 2011-12	Adult Ed State Funds 2012	Adult Ed State Funds 2013-14
Cash and investments - beginning	\$ -	\$ -	\$ 6,292	\$ 88,742	\$ 5,273	\$ (2,731)	\$ (9,630)	\$ -	\$ -
Receipts:									
Local sources	-	2,396	7,799	400	9,664	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	9,999	-	-	-	-	-	10,516	15,127	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	9,999	2,396	7,799	400	9,664	-	10,516	15,127	-
Disbursements:									
Current:									
Instruction	9,999	-	-	-	-	(2,731)	886	19,066	-
Support services	-	2,024	4,732	-	7,847	-	-	3,049	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	3,285	-	-	-	-	-
Total disbursements	9,999	2,024	4,732	3,285	7,847	(2,731)	886	22,115	-
Excess (deficiency) of receipts over disbursements	-	372	3,067	(2,885)	1,817	2,731	9,630	(6,988)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	-	372	3,067	(2,885)	1,817	2,731	9,630	(6,988)	-
Cash and investments - ending	\$ -	\$ 372	\$ 9,359	\$ 85,857	\$ 7,090	\$ -	\$ -	\$ (6,988)	\$ -

DELPHI 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, 2013
 (Continued)

	Non-English Speaking Programs P.L. 273-1999	State Connectivity Grant	Performance Based Awards	Miscellaneous Programs	ISTA Settlement	Title I 2011-12	Title I 2012-13	Title I 2013-14	Innovative Education Program Strategies Title V (Part A)
Cash and investments - beginning	\$ 517	\$ 1,752	\$ -	\$ 6,631	\$ -	\$ (24,053)	\$ -	\$ -	\$ 165
Receipts:									
Local sources	-	-	-	8,136	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	8,579	23,247	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	60,508	228,622	-	(165)
Other	-	-	-	-	-	-	-	-	-
Total receipts	8,579	23,247	-	8,136	-	60,508	228,622	-	(165)
Disbursements:									
Current:									
Instruction	9,096	-	-	-	-	33,998	115,354	-	-
Support services	-	16,083	-	11,753	-	2,207	137,549	-	-
Noninstructional services	-	-	-	-	-	250	1,000	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	9,096	16,083	-	11,753	-	36,455	253,903	-	-
Excess (deficiency) of receipts over disbursements	(517)	7,164	-	(3,617)	-	24,053	(25,281)	-	(165)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	(517)	7,164	-	(3,617)	-	24,053	(25,281)	-	(165)
Cash and investments - ending	\$ -	\$ 8,916	\$ -	\$ 3,014	\$ -	\$ -	\$ (25,281)	\$ -	\$ -

DELPHI 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, 2013
 (Continued)

	Migrant Grant 2011-12	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Adult Education and Family Literacy, Title II	Adult Ed/Thru LSC 2011-12	Adult Ed Federal 2012	Adult Ed Fed Pro Dev 2012-13	Adult Ed Innovation Grant 2012	Title II - Dwight D. Eisenhower - Science and Math Technology Grants	Temporary Loan 1/16/12
Cash and investments - beginning	\$ (6,734)	\$ -	\$ 896	\$ (5,092)	\$ -	\$ -	\$ -	\$ 9	\$ (1,369)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	5,573	18,122	-	-	-	-
Federal sources	21,874	69,964	-	-	-	271	2,522	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	21,874	69,964	-	5,573	18,122	271	2,522	-	-
Disbursements:									
Current:									
Instruction	15,140	-	896	481	15,148	271	3,267	9	-
Support services	-	-	-	-	4,047	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	3,143	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	(1,369)
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	15,140	3,143	896	481	19,195	271	3,267	9	(1,369)
Excess (deficiency) of receipts over disbursements	6,734	66,821	(896)	5,092	(1,073)	-	(745)	(9)	1,369
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	6,734	66,821	(896)	5,092	(1,073)	-	(745)	(9)	1,369
Cash and investments - ending	\$ -	\$ 66,821	\$ -	\$ -	\$ (1,073)	\$ -	\$ (745)	\$ -	\$ -

DELPHI 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, 2013
 (Continued)

	PLTW- Wired Grant	Improving Teaching Quality, No Child Left, Title II, Part A	Title III - Language Instruction	Education Jobs	Payroll Deductions	Cafeteria Clearing Account	Totals
Cash and investments - beginning	\$ 812	\$ -	\$ (942)	\$ -	\$ 8,123	\$ -	\$ 2,056,506
Receipts:							
Local sources	-	-	-	-	-	-	5,315,192
Intermediate sources	-	-	-	-	-	-	19
State sources	-	-	-	-	-	-	10,259,472
Federal sources	-	59,954	1,954	6,620	-	-	925,109
Other	-	-	-	-	2,426,283	-	2,442,609
Total receipts	-	59,954	1,954	6,620	2,426,283	-	18,942,401
Disbursements:							
Current:							
Instruction	-	59,954	1,012	6,620	-	-	6,795,494
Support services	-	-	-	-	-	-	5,190,219
Noninstructional services	-	-	-	-	-	-	993,632
Facilities acquisition and construction	-	-	-	-	-	-	1,081,239
Debt services	-	-	-	-	-	-	2,064,757
Nonprogrammed charges	-	-	-	-	2,434,406	-	2,466,024
Total disbursements	-	59,954	1,012	6,620	2,434,406	-	18,591,365
Excess (deficiency) of receipts over disbursements	-	-	942	-	(8,123)	-	351,036
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	693,763
Sale of capital assets	-	-	-	-	-	-	124,420
Transfers in	-	-	-	-	-	-	16,215
Transfers out	(812)	-	-	-	-	-	(16,215)
Total other financing sources (uses)	(812)	-	-	-	-	-	818,183
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(812)	-	942	-	(8,123)	-	1,169,219
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,225,725

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	HS/MS Science Wing/HVAC 2010
Cash and investments - beginning	\$ 240,481	\$ 456,607	\$ 89,036	\$ 463,845	\$ 314,509	\$ 2,800	\$ 862,284	\$ -	\$ -
Receipts:									
Local sources	157,790	1,956,990	188,639	1,297,323	1,346,255	197,273	-	-	-
Intermediate sources	20	-	-	-	-	-	-	-	-
State sources	9,527,540	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	38,838	4,681	-	-	-	-
Total receipts	9,685,350	1,956,990	188,639	1,336,161	1,350,936	197,273	-	-	-
Disbursements:									
Current:									
Instruction	6,378,031	-	-	-	-	-	-	-	-
Support services	3,236,633	-	-	299,895	1,333,735	187,813	-	-	-
Noninstructional services	262,356	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	704,915	-	-	-	-	-
Debt services	-	1,850,377	181,134	92,032	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	9,877,020	1,850,377	181,134	1,096,842	1,333,735	187,813	-	-	-
Excess (deficiency) of receipts over disbursements	(191,670)	106,613	7,505	239,319	17,201	9,460	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(6,998)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(6,998)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(198,668)	106,613	7,505	239,319	17,201	9,460	-	-	-
Cash and investments - ending	\$ 41,813	\$ 563,220	\$ 96,541	\$ 703,164	\$ 331,710	\$ 12,260	\$ 862,284	\$ -	\$ -

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

	GO Bond 2011	GO Bond 2012	Multi School Bond 2014	School Lunch	Textbook Rental	Levy Excess	Child Care Program	Educational License Plates	SAFE School Haven
Cash and investments - beginning	\$ -	\$ 191,840	\$ -	\$ 427,857	\$ 28,348	\$ -	\$ -	\$ 19	\$ 757
Receipts:									
Local sources	-	-	-	244,546	103,946	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	38	-
State sources	-	-	-	7,757	59,261	-	-	-	1,814
Federal sources	-	-	-	452,254	-	-	-	-	-
Other	-	-	-	1,506	-	-	-	-	-
Total receipts	-	-	-	706,063	163,207	-	-	38	1,814
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	2,571
Support services	-	-	-	-	202,408	-	-	-	-
Noninstructional services	-	-	-	768,111	-	-	-	-	-
Facilities acquisition and construction	-	138,551	352,597	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	78,006	-	-	-	-	-
Total disbursements	-	138,551	352,597	846,117	202,408	-	-	-	2,571
Excess (deficiency) of receipts over disbursements	-	(138,551)	(352,597)	(140,054)	(39,201)	-	-	38	(757)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	1,956,021	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	1,956,021	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(138,551)	1,603,424	(140,054)	(39,201)	-	-	38	(757)
Cash and investments - ending	\$ -	\$ 53,289	\$ 1,603,424	\$ 287,803	\$ (10,853)	\$ -	\$ -	\$ 57	\$ -

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

	Early Intervention Grant	Donations & Gifts	Adult Education Testing	Scholarships and Awards	Student Computer Repair Fund	Adult and Continuing Education	Adult Ed State Funds 2011-12	Adult Ed State Funds 2012	Adult Ed State Funds 2013-14
Cash and investments - beginning	\$ -	\$ 372	\$ 9,359	\$ 85,857	\$ 7,090	\$ -	\$ -	\$ (6,988)	\$ -
Receipts:									
Local sources	-	540	12,093	2,243	1,122	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	10,000	-	-	-	-	-	-	7,848	33,723
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	10,000	540	12,093	2,243	1,122	-	-	7,848	33,723
Disbursements:									
Current:									
Instruction	10,000	-	-	-	-	-	-	860	26,692
Support services	-	500	13,485	-	4,004	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	2,285	-	-	-	-	-
Total disbursements	10,000	500	13,485	2,285	4,004	-	-	860	26,692
Excess (deficiency) of receipts over disbursements	-	40	(1,392)	(42)	(2,882)	-	-	6,988	7,031
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	40	(1,392)	(42)	(2,882)	-	-	6,988	7,031
Cash and investments - ending	\$ -	\$ 412	\$ 7,967	\$ 85,815	\$ 4,208	\$ -	\$ -	\$ -	\$ 7,031

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

	Non-English Speaking Programs P.L. 273-1999	State Connectivity Grant	Performance Based Awards	Miscellaneous Programs	ISTA Settlement	Title I 2011-12	Title I 2012-13	Title I 2013-14	Innovative Education Program Strategies Title V (Part A)
Cash and investments - beginning	\$ -	\$ 8,916	\$ -	\$ 3,014	\$ -	\$ -	\$ (25,281)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	29,848	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	6,998	19,069	118,158	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	26,281	196,648	-
Other	-	-	-	-	590,303	-	-	-	-
Total receipts	6,998	19,069	118,158	29,848	590,303	-	26,281	196,648	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	114,766	-
Support services	-	21,570	118,158	24,012	423,285	-	1,000	83,099	-
Noninstructional services	-	-	-	-	-	-	-	982	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	21,570	118,158	24,012	423,285	-	1,000	198,847	-
Excess (deficiency) of receipts over disbursements	6,998	(2,501)	-	5,836	167,018	-	25,281	(2,199)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	6,998	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	6,998	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,996	(2,501)	-	5,836	167,018	-	25,281	(2,199)	-
Cash and investments - ending	\$ 13,996	\$ 6,415	\$ -	\$ 8,850	\$ 167,018	\$ -	\$ -	\$ (2,199)	\$ -

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

	Migrant Grant 2011-12	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Adult Education and Family Literacy, Title II	Adult Ed/Thru LSC 2011-12	Adult Ed Federal 2012	Adult Ed Fed Pro Dev 2012-13	Adult Ed Innovation Grant 2012	Title II - Dwight D. Eisenhower - Science and Math Technology Grants	Temporary Loan 1/16/12
Cash and investments - beginning	\$ -	\$ 66,821	\$ -	\$ -	\$ (1,073)	\$ -	\$ (745)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	905	24,362	-	-	-
Federal sources	-	-	-	-	-	-	745	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	905	24,362	745	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	(416)	27,096	-	-	-
Support services	-	-	-	-	248	6,026	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	66,821	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	66,821	-	-	(168)	33,122	-	-	-
Excess (deficiency) of receipts over disbursements	-	(66,821)	-	-	1,073	(8,760)	745	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(66,821)	-	-	1,073	(8,760)	745	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8,760)	\$ -	\$ -	\$ -

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

	PLTW- Wired Grant	Improving Teaching Quality, No Child Left, Title II, Part A	Title III - Language Instruction	Education Jobs	Payroll Deductions	Cafeteria Clearing Account	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,225,725
Receipts:							
Local sources	-	-	-	-	-	-	5,538,608
Intermediate sources	-	-	-	-	-	-	58
State sources	-	-	-	-	-	-	9,817,435
Federal sources	-	60,182	-	-	-	-	736,110
Other	-	-	-	-	2,451,083	6,364	3,092,775
Total receipts	-	60,182	-	-	2,451,083	6,364	19,184,986
Disbursements:							
Current:							
Instruction	-	60,182	2,276	-	-	-	6,622,058
Support services	-	-	-	-	-	-	5,955,871
Noninstructional services	-	-	-	-	-	-	1,031,449
Facilities acquisition and construction	-	-	-	-	-	-	1,262,884
Debt services	-	-	-	-	-	-	2,123,543
Nonprogrammed charges	-	-	-	-	2,451,083	-	2,531,374
Total disbursements	-	60,182	2,276	-	2,451,083	-	19,527,179
Excess (deficiency) of receipts over disbursements	-	-	(2,276)	-	-	6,364	(342,193)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	1,956,021
Transfers in	-	-	-	-	-	-	6,998
Transfers out	-	-	-	-	-	-	(6,998)
Total other financing sources (uses)	-	-	-	-	-	-	1,956,021
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(2,276)	-	-	6,364	1,613,828
Cash and investments - ending	\$ -	\$ -	\$ (2,276)	\$ -	\$ -	\$ 6,364	\$ 4,839,553

DELPHI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Delphi Community Multi-School Building Corporation	HVAC - Series 2010A & 2010B	\$ 408,000	6/30/2011	6/30/2027
Delphi Community Multi-School Building Corporation	Remodeling Series 2013	<u>674,000</u>	6/30/2014	12/31/2016
Total governmental activities		<u><u>\$ 1,082,000</u></u>		

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Type		
Governmental activities:		
General obligation bonds	\$ 350,000	\$ 351,750
Notes and loans payable	<u>1,495,000</u>	<u>191,901</u>
Totals	<u><u>\$ 1,845,000</u></u>	<u><u>\$ 543,651</u></u>

DELPHI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2014

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

	Ending Balance
Governmental activities:	
Land	\$ 900,000
Infrastructure	1,500,000
Buildings	60,000,000
Improvements other than buildings	400,000
Machinery, equipment, and vehicles	1,500,000
Construction in progress	32,000
Books and other	<u>250,000</u>
Total capital assets	<u>\$ 64,582,000</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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE DELPHI COMMUNITY SCHOOL
CORPORATION, CARROLL COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Delphi Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-004, 2014-005, and 2014-007. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

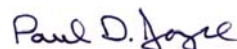
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003 and 2014-006 to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 7, 2016

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

DELPHI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

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	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
Department of Agriculture Child Nutrition Cluster School Breakfast Program	Indiana Department of Education	10.553	FY 2013, FY 2014	\$ 108,594	\$ 95,065
National School Lunch Program	Indiana Department of Education	10.555	FY 2013, FY 2014	420,302	393,676
Special Milk Program for Children	Indiana Department of Education	10.556	FY 2013, FY 2014	-	19,993
Total - Department of Agriculture				<u>528,896</u>	<u>508,734</u>
Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	12-0755 13-0755 14-0755	60,508 228,622 -	- 26,281 196,648
Total - Title I, Part A Cluster				<u>289,130</u>	<u>222,929</u>
Special Education Cluster Special Education_Grants to States	Indiana Department of Education	84.027	13-0755 14212-037-PN01 14213-037-PN01 14214-037-PN01 9914-037-PN01-TA01	69,964 227,943 108,518 - -	- 16,277 277,474 49,135 1,028
Total for Program				<u>406,425</u>	<u>343,914</u>
Special Education_Preschool Grants	Indiana Department of Education	84.173	45712-037-PN01 45713-037-PN01 45714-037-PN01	2,311 4,828 -	- 5,200 2,746
Total for Program				<u>7,139</u>	<u>7,946</u>
Total - Special Education Cluster				<u>413,564</u>	<u>351,860</u>

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

DELPHI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
Department of Education (continued)					
Adult Education - Basic Grants to States	Lafayette School Corporation	84.002	FY 2012 2012 FY 2013 FY 2014	5,573 18,122 271 2,522	- 905 24,362 745
Total Adult Education - Basic Grants to States				26,488	26,012
Migrant Education_State Grant Program	Indiana Department of Education	84.011	12-0755	21,874	-
English Language Acquisition State Grants	Indiana Department of Education	84.365	01112-007-PN01	1,954	-
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	0755	59,954	60,182
Education Jobs Fund	Indiana Department of Education	84.410	FY 2012	6,620	-
Total - Department of Education				819,584	660,983
Department of Health and Human Services					
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	Indiana State Department of Health	93.938	0755	450	-
Total Federal Awards Expended				\$ 1,348,930	\$ 1,169,717

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School Corporation and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 55,911	\$ 56,480

Note 3. Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative. As a result, some activity for the Special Education Cluster that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Special Education Cooperative.

DELPHI 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 deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	no
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster
Special Education Cluster

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. The Corporation Treasurer independently prepared the SEFA without oversight, review, or approval.

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

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FINDING 2014-002 - FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to Cash and Investments, Receipts, and Disbursements. We believe these deficiencies constitute material weaknesses:

1. Cash and Investments and Receipts: The School Corporation Treasurer receives cash, records cash transactions in the ledger, prepares the deposit slip, takes the deposit to the bank and performs the monthly reconciliements of the financial record balance to the bank balance without oversight, review, or approval.
2. Payroll Disbursements: The Payroll Clerk performs all aspects of the payroll process, including entering contract amounts, recording payroll information, computing payroll, paying employees, and updating employee history reports without oversight, review, or approval.
3. Vendor Disbursements: The School Corporation Treasurer issues vendor checks, records the checks in the ledger and performs the monthly reconciliements of the financial record balance to the bank balance without oversight, review, or approval. In addition, the School Corporation Treasurer prepares the claims docket for approval by the School Board; however, the claims are paid prior to the Board's approval.

The failure to establish these controls could enable misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Special Milk Program for Children

CFDA Numbers: 10.553, 10.555, 10.556

Federal Award Years: FY 2013, FY 2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Suspension and Debarment, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Corporation expends funds for only allowable activities and allowable costs of the programs. Program expenditures were not reviewed or approved to ensure that the expenditures were for allowable activities and allowable costs of the programs prior to payment.

Cash Management

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were in compliance with the Cash Management requirements. A monitoring or review process has not been established to ensure that the School Lunch fund's net cash resources are limited to three months' average expenditures in compliance with Cash Management requirements.

Eligibility

The School Corporation has not designed or implemented adequate policies and procedures to ensure that eligibility for free and reduced price meals are accurately determined. Currently the application information is entered into the food service software which automatically makes the eligibility determination. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the information entered into the food service software was correct.

Suspension and Debarment

The School Corporation has not designed or implemented adequate policies and procedures to verify compliance with Suspension and Debarment requirements. A monitoring or review process has not been established to ensure that the vendors selected for procured products were not suspended or debarred from participation in federal programs.

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

Program Income

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with Program Income requirements. A monitoring or review process has not been established to ensure that receipts generated from cafeteria sales are collected and recorded properly.

Reporting

The School Corporation has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared and submitted. The monthly reimbursement request is independently prepared by the Food Service Director and submitted electronically via the Indiana Department of Education's website. This report was not subjected to review prior to submission. The Food Service Director also submitted the Annual Financial Reports which were not subjected to review prior to submission. There was no segregation of duties, such as an oversight, review, or approval process over compliance with the reporting requirements.

Special Tests and Provisions - Verification of Free and Reduced Price Applications

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the verifications of free and reduced price applications are subjected to review. There was no segregation of duties, such as an oversight, review, or approval process over compliance with the verification of free and reduced price applications requirements.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected, and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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."

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

FINDING 2014-004 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Years: FY 2013, FY 2014
Pass-Through Entity: Indiana Department of Education

The School Lunch fund cash balances were maintained at an amount in excess of three months average expenditures in 16 of the 24 months during our audit period. The School Lunch fund had its largest balance of \$427,857 at June 30, 2013, which is five months of average expenditures for that fiscal year.

7 CFR 210.14(a) states in part: "School Food Authorities shall maintain a nonprofit school food service."

7 CFR 210.14(b) states:

"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 section 210.19(a)."

7 CFR 210.2 defines net cash resources as:

"Net cash resources means all monies, as determined in accordance with the State agency's established accounting system that are available to or have accrued to a school food authority's nonprofit school food service at any given time, less cash payable. Such monies may include, but are not limited to, cash on hand, cash receivable, earnings on investments, cash on deposit and the value of stocks, bonds or other negotiable securities."

The failure to comply with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation comply with the applicable Cash Management requirements of the programs.

FINDING 2014-005 - PROGRAM INCOME

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Years: FY 2013, FY 2014
Pass-Through Entity: Indiana Department of Education

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

The School Corporation did not properly record program income generated from the food service programs. All monthly receipts, from sales as well as prepayments, were recorded directly in the School Lunch fund; prepayments were not recorded in the Prepaid Lunch fund. At the end of each month, a transfer was made to the prepaid Lunch fund for the balance of the amounts collected after meals sold. The Prepaid Lunch fund was not reconciled to the actual "students" accounts at months end.

7 CFR 210.14(c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol.183)

The failure to comply with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation's management comply with the applicable Program Income requirements of the programs.

***FINDING 2014-006 - INTERNAL CONTROL OVER TITLE I
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years: 12-0755, 13-0755, 14-0755
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, Reporting, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability

The School Corporation has not designed or implemented adequate policies and procedures to ensure that program expenditures were in compliance with Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and the Period of Availability requirements. Program expenditures were prepared and paid by the Corporation Treasurer and listed on the Claim Docket for approval at the subsequent School Board meeting. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the expenditures were for allowable activities, for allowable costs, or were within the Period of Availability.

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

Cash Management and Reporting

The School Corporation has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared and submitted or that the expenditures submitted for reimbursement were paid prior to the request. Reports are independently prepared and submitted by the School Corporation Treasurer without oversight, review, or approval.

Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

The School Corporation has not designed or implemented adequate policies and procedures to verify that paraprofessionals met the criteria for highly qualified teachers and paraprofessionals within the schoolwide program. A monitoring or review process has not been established to ensure that paraprofessionals comply with the Special Tests and Provisions for Highly Qualified Teachers and Paraprofessionals.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected, and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

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

***FINDING 2014-007 - REPORTING AND SPECIAL TESTS AND PROVISIONS -
HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS***

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year: FY 2011-12, FY 2012-13, and FY 2013-14
Pass-Through Entity: Indiana Department of Education

Reporting

The School Corporation is required to submit requests for reimbursement reports of their program expenditures. These requests for reimbursements did not always contain adequate supporting documentation as evidence of the expenditures. Supporting documentation was not provided for 33 percent of the requests during the audit period.

34 CFR § 80.20 Standards for financial management systems, states in part:

- (b) 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. . . "

Special Tests and Provisions - Highly Qualified Teacher and Paraprofessionals

The School Corporation did not follow the guidelines for employing Paraprofessionals. Three of seven paraprofessionals tested did not meet the qualifications for highly qualified paraprofessionals.

34 CFR § 200.58 states:

- (c) New paraprofessionals. A paraprofessional covered under paragraph (a) of this section who is hired after January 8, 2002 must have—
 - (1) Completed at least two years of study at an institution of higher education;
 - (2) Obtained an associate's or higher degree; or
 - (3)(i) Met a rigorous standard of quality, and can demonstrate—through a formal State or local academic assessment—knowledge of, and the ability to assist in instructing, as appropriate—
 - (A) Reading/language arts, writing, and mathematics; or
 - (B) Reading readiness, writing readiness, and mathematics readiness.
 - (ii) A secondary school diploma or its recognized equivalent is necessary, but not sufficient, to meet the requirement in paragraph (c)(3)(i) of this section.

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

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation comply with the applicable Cash Management, Reporting, and Special Tests and Provisions requirements of the program.

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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.



DELPHI COMMUNITY SCHOOL CORPORATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-001

Original Assigned SBA Audit Report Number:

Report Period: 7/1/2012 through 6/30/14

Pass-Through Entity or Federal Grantor Agency: US Department of Education

Contact Person Responsible for Corrective Action: Debbie Speckman

Contact Phone Number: 765-564-2100

Status of Audit Finding:

Procedures were implemented for the review of financial forms and documents, which allows the Superintendent and Assistant Treasurer to review and sign off on financial documents to ensure that accounting principles and procedures are being followed.

Debbie Speckman
(Signature)

Treasurer
(Title)

Feb. 9, 2015
(Date)



DELPHI COMMUNITY SCHOOL CORPORATION

CORRECTIVE ACTION PLAN

May 21, 2015

FINDING 2014-001

Debbie Speckman
765-564-2100

Correction Action Plan:

The treasurer will ensure that the list of Federal award programs is reviewed by the superintendent for accuracy prior to submitting the SEFA.

Anticipated Completion Date: To be reviewed at fiscal yearend.

FINDING 2014-002

Debbie Speckman
765-564-2100

Correction Action Plan:

We will review our office procedures and attempt to institute duties that would involve segregation of duties performed by the corporation treasurer and payroll clerk.

Anticipated Completion Date: June 2015

FINDING 2014-003

Debbie Speckman
765-564-2100

Peggy Nipple, Cafeteria Director
765-564-2100

Corrective Action Plan:

Proper authorization and approval by the Board of Trustees of all claims will be reviewed prior to mailing.

The Superintendent, Food Service Director and Corporation Treasurer will monitor the cash balance in the cafeteria fund and come up with a plan annually for equipment purchases or cafeteria updates to avoid any overage in the cafeteria account.

The Cafeteria Director will have her assistant review all Free and Reduced Meal Applications prior to the determination of pay status.

The Cafeteria Director will check suspension and debarment of procured products every quarter.

The Board of Trustees will approve meals prices each school year prior to the next school year.

The Corporation Treasurer will review the annual report prior to submission by the Cafeteria Director.

The Free and Reduced Meal Applications will be reviewed and verified by both the Cafeteria Director and the Assistant Cafeteria Director.

Anticipated Completion Date: June 2015

FINDING 2014-004

Debbie Speckman
765-564-2100

Corrective Action Plan:

The Corporation will develop controls to monitor the cash balance in the School Lunch Fund to ensure the fund does not exceed 3 months of average expenditure.

Monthly receipts are now being posted directly to the Prepaid Lunch Account rather than the cafeteria fund.

Procedures have been reviewed with staff to ensure implementation of School Policy to collect past due balances on the School Lunch Account.

Anticipated Competition Date: April 1, 2015

FINDING 2014-005

Debbie Speckman
765-564-2100

Corrective Action Plan:

The Corporation Treasurer and Cafeteria Director understands the importance of balancing monthly and had implemented new procedures previously for the Prepaid account and will continue to improve these procedures.

Anticipated Completion Date: April 2015

FINDING 2014-006

Debbie Speckman
765-564-2100

Corrective Action Plan:

Proper authorization and approval by the Board of Trustees of all claims will be reviewed prior to mailing.

Anticipated Completion Date: April 2015

FINDING 2014-007

Debbie Speckman
765-564-2100

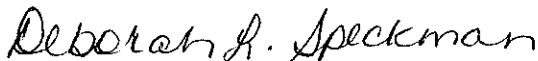
Corrective Action Plan:

The Corporation Treasurer understands the importance of attaching supporting documentation to all cash request forms for all Federal and State grants.

The Payroll Clerk has implemented guidelines to ensure all ParaProfessionals have the necessary credentials prior to hiring.

Anticipated Completion Date: April 2015

Signed:



Deborah L. Speckman
Treasurer
5/21/15

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/>.