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State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

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April 9, 2025

Charter School Board  
Dugger Union Community School Corporation  
Sullivan County, Indiana

We have reviewed the audit report of the Dugger Union Community School Corporation, which was opined upon by Greenwalt CPAs, Inc., Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of the Dugger Union Community School Corporation as of June 30, 2024, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 24 and 25. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 26 through 28.

In our opinion, Greenwalt CPAs, Inc., prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a supplemental report for the Dugger Union Community School Corporation was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA  
Deputy State Examiner

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**DUGGER UNION COMMUNITY  
SCHOOL CORPORATION**  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2024 AND 2023

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**DUGGER UNION COMMUNITY SCHOOL CORPORATION**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Dugger Union Community School Corporation:

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Dugger Union Community School Corporation (an Indiana public charter school, "the School"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America (Government Auditing Standards), and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources and Guidelines for Audits for Charter Schools performed by Private Examiners* established by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, Government Auditing Standards, and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources and Guidelines for Audits for Charter Schools performed by Private Examiners*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2025 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control over financial reporting and compliance.

*Greenwald CPAs, Inc.*

January 7, 2025

**DUGGER UNION COMMUNITY SCHOOLS CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2024 AND 2023**

**ASSETS**

	<b><u>2024</u></b>	<b><u>2023</u></b>
<b>CURRENT ASSETS</b>		
Cash	\$ 2,351,568	\$ 2,615,141
Grants receivable	307,668	168,688
Prepaid expenses	59,989	5,150
<i>Total current assets</i>	<u>2,719,225</u>	<u>2,788,979</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	31,200	19,200
Building and improvements	2,828,276	1,882,031
Furniture and equipment	1,752,312	1,220,511
Textbooks	475,682	417,318
Vehicles	840,184	572,814
Construction in progress	520,894	162,700
Less: accumulated depreciation	<u>(2,068,887)</u>	<u>(1,727,664)</u>
<i>Total property and equipment, net</i>	<u>4,379,661</u>	<u>2,546,910</u>
<b>FINANCE LEASE RIGHT-OF-USE ASSET</b>	<u>22,475</u>	<u>-</u>
<b>RESTRICTED CASH</b>	<u>35,488</u>	<u>36,485</u>
<i>Total assets</i>	<u>\$ 7,156,849</u>	<u>\$ 5,372,374</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Current portion of note payable	\$ 75,000	\$ 75,000
Accounts payable	559,852	261,813
Accrued payroll and related benefits	312,758	158,509
Deferred revenue	9,913	458
Current portion of finance lease payable	4,473	-
Funds held on behalf of others	<u>7,332</u>	<u>7,332</u>
<i>Total current liabilities</i>	<u>969,328</u>	<u>503,112</u>
<b>LONG TERM LIABILITIES</b>		
Note payable, net of current portion and discount	105,470	174,376
Finance lease liability, net of current portion	<u>18,159</u>	<u>-</u>
<i>Total long term liabilities</i>	<u>123,629</u>	<u>174,376</u>
<i>Total liabilities</i>	<u>1,092,957</u>	<u>677,488</u>
<b>COMMITMENT (NOTE 9)</b>		
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	5,522,098	4,555,400
Board designated	<u>30,000</u>	<u>30,000</u>
<i>Total net assets without donor restrictions</i>	<u>5,552,098</u>	<u>4,585,400</u>
With donor restrictions	<u>511,794</u>	<u>109,486</u>
<i>Total net assets</i>	<u>6,063,892</u>	<u>4,694,886</u>
<i>Total liabilities and net assets</i>	<u>\$ 7,156,849</u>	<u>\$ 5,372,374</u>

**DUGGER UNION COMMUNITY SCHOOLS CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	2024			2023		
	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>REVENUE AND SUPPORT</b>						
State education support	\$ 5,512,534	\$ -	\$ 5,512,534	\$ 4,925,208	\$ -	\$ 4,925,208
Grants	1,747,985	970,985	2,718,970	1,321,761	509,357	1,831,118
Contributions	30,825	-	30,825	37,438	-	37,438
Student fees, net of scholarships of \$11,623 and \$14,266 in 2024 and 2023, respectively	49,282	-	49,282	57,490	-	57,490
Special events, net of expense of \$51,581 and \$50,914 in 2024 and 2023, respectively	67,813	-	67,813	79,249	-	79,249
Other income	44,592	-	44,592	30,414	-	30,414
Net assets released from restriction	568,677	(568,677)	-	497,610	(497,610)	-
<i>Total revenue and support</i>	<u>8,021,708</u>	<u>402,308</u>	<u>8,424,016</u>	<u>6,949,170</u>	<u>11,747</u>	<u>6,960,917</u>
<b>EXPENSES</b>						
Program	5,041,830	-	5,041,830	4,405,923	-	4,405,923
Management & general	2,012,226	-	2,012,226	1,751,072	-	1,751,072
Fundraising	954	-	954	2,727	-	2,727
<i>Total expenses</i>	<u>7,055,010</u>	<u>-</u>	<u>7,055,010</u>	<u>6,159,722</u>	<u>-</u>	<u>6,159,722</u>
<b>CHANGE IN NET ASSETS</b>						
	966,698	402,308	1,369,006	789,448	11,747	801,195
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,585,400</u>	<u>109,486</u>	<u>4,694,886</u>	<u>3,795,952</u>	<u>97,739</u>	<u>3,893,691</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,552,098</u>	<u>\$ 511,794</u>	<u>\$ 6,063,892</u>	<u>\$ 4,585,400</u>	<u>\$ 109,486</u>	<u>\$ 4,694,886</u>

See accompanying notes to financial statements.

**DUGGER UNION COMMUNITY SCHOOLS CORPORATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	2024			2023				
	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and wages	\$ 2,683,929	\$ 1,258,294	\$ -	\$ 3,942,223	\$ 2,483,163	\$ 1,009,755	\$ -	\$ 3,492,918
Employee benefits	715,356	349,919	-	1,065,275	584,772	304,127	-	888,899
Staff development	3,932	-	-	3,932	6,797	-	-	6,797
Professional services	142,969	86,063	-	229,032	137,218	95,154	-	232,372
Repairs and maintenance	16,422	-	-	16,422	37,583	-	-	37,583
Authorizer fees	-	129,633	-	129,633	-	110,917	-	110,917
Food	291,082	-	-	291,082	239,031	-	-	239,031
Advertising	-	20,358	-	20,358	-	19,844	-	19,844
Student transportation	92,416	-	-	92,416	80,307	-	-	80,307
Travel	14,659	187	-	14,846	3,174	359	-	3,533
Classroom, kitchen, and office supplies	203,796	130,260	-	334,056	118,018	108,915	-	226,933
Occupancy	287,961	3,187	-	291,148	329,630	12,730	-	342,360
Depreciation	341,222	-	-	341,222	278,096	-	-	278,096
Information technology	200,383	-	-	200,383	41,571	-	-	41,571
Extra curricular	47,016	-	-	47,016	62,659	-	-	62,659
Interest	-	8,872	-	8,872	-	11,157	-	11,157
Insurance	-	(245)	-	(245)	-	60,477	-	60,477
Donation	-	-	954	954	-	-	2,727	2,727
Bad debt	-	-	-	-	-	-	-	-
Other	687	9,893	-	9,893	-	4,673	-	4,673
	5,041,830	2,012,226	954	7,055,010	4,405,923	1,751,072	2,727	6,159,722
Special events expense netted with revenue	-	-	51,581	51,581	-	-	50,914	50,914
<i>Total functional expenses</i>	\$ 5,041,830	\$ 2,012,226	\$ 52,535	\$ 7,106,591	\$ 4,405,923	\$ 1,751,072	\$ 53,641	\$ 6,210,636

See accompanying notes to financial statements.

**DUGGER UNION COMMUNITY SCHOOLS CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

**NET CHANGE IN CASH**

	<b><u>2024</u></b>	<b><u>2023</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from the State, grants, and other	\$ 8,294,491	\$ 6,851,940
Cash paid to employees and vendors	(6,451,605)	(5,877,443)
Interest paid	(2,778)	(3,188)
	<u>1,840,108</u>	<u>971,309</u>
<i>Net cash provided by operating activities</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(2,028,229)	(925,612)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on note payable	(75,000)	(75,000)
Principal payments on finance lease	(1,449)	-
	<u>(76,449)</u>	<u>(75,000)</u>
<i>Net cash used in operating activities</i>		
<b>NET CHANGE IN CASH</b>	(264,570)	(29,303)
<b>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<u>2,651,626</u>	<u>2,680,929</u>
<b>CASH AND RESTRICTED CASH, END OF YEAR</b>	2,387,056	2,651,626
<b>LESS RESTRICTED CASH, END OF YEAR</b>	<u>(35,488)</u>	<u>(36,485)</u>
<b>CASH, END OF YEAR</b>	<u>\$ 2,351,568</u>	<u>\$ 2,615,141</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Property and equipment purchases in accounts payable	\$ 290,585	\$ 144,842
Finance lease right-of-use assets obtained in exchange for finance lease liabilities	24,080	-
	<u>314,665</u>	<u>-</u>
<i>Total non-cash operating and financing activities</i>		
	<u>\$ 314,665</u>	<u>\$ 144,842</u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

	<b><u>2024</u></b>	<b><u>2023</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 1,369,006</b>	<b>\$ 801,195</b>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	341,222	278,096
Amortization of discount on note payable	6,094	7,969
Amortization of finance lease right-of-use asset	1,605	-
<i>(Increase) decrease in operating assets</i>		
Grants receivable	(138,980)	(108,667)
Prepaid expenses	(54,839)	36,648
<i>Increase (decrease) in operating liabilities</i>		
Accounts payable and accrued expenses	152,296	38,841
Accrued payroll and related benefits	154,249	(82,463)
Deferred revenue	9,455	(310)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 1,840,108</b>	<b>\$ 971,309</b>

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### DESCRIPTION OF ORGANIZATION

Dugger Union Community Schools Corporation (“the School”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Grace College. The School provides educational instruction to approximately 600 students in grades kindergarten through twelve.

The School receives the majority of its funding from the Indiana Department of Education. Those revenues are supplemented with funds from grants and contributions.

#### BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

#### CASH AND CASH EQUIVALENTS

The School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2024 and 2023. The School maintained cash in excess of Federal Deposit Insurance Corporation (FDIC) limits of approximately \$2,400,000 at June 30, 2024 and 2023.

#### GRANTS RECEIVABLE

Grants receivable represent the uncollected portion of funds from grants awarded to the School. Grants receivable are unsecured and are due from Indiana governmental entities and private grantors. Grants receivable are stated at the amount determined by public statute or by the underlying private funding agreements. Generally, there is not significant risk of loss of these amounts due since they are statutorily determined and obligated. However, there is some risk that public funding from the State of Indiana could be reduced from amounts previously determined during periods of prolonged economic downturn.

The School reviews grants receivable and writes off any amount to be deemed uncollectible. There were no allowances for uncollectible receivables as of June 30, 2024 and 2023. All grants receivable are due within one year.

#### PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased, or, at the estimated fair value at the date of the gift, if contributed. The School capitalizes additions of property and equipment in excess of \$5,000 that have a useful life or extend the useful life greater than one year. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

**DUGGER UNION COMMUNITY SCHOOL CORPORATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

PROPERTY AND EQUIPMENT, CONTINUED

Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets generally as follows:

Building and improvements	40 years
Furniture and equipment	3 to 7 years
Textbooks	4 to 5 years
Vehicles	5 years

LEASES

Management determines if an arrangement is a lease at inception. The finance lease is included in the right of use (ROU) asset, short-term lease liability, and long-term lease liability on the statement of financial position.

The ROU asset represents the School's right to use an underlying asset for the lease term and the lease liability represents its obligation to make lease payments arising from the lease. Finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The finance lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option.

The School elected the available practical expedients to use a risk-free rate when discounting future lease payments to measure the lease at present value on the statement of financial position when the implicit rate is unknown and to account for lease and non-lease components as a single lease component.

In addition, the School elected to not apply the recognition requirements in the lease standard to short-term leases (a lease that at commencement date has a lease term of 12 months or less and does not contain a purchase option that the lessee is reasonably certain to exercise).

RESTRICTED CASH

As part of its charter agreement with Grace College (Note 9), the School is required to hold in an escrow account funds to pay for legal, wind down of operations, and audit expenses that would be associated with dissolution should it occur. Per the agreement, the School was required to place a minimum of \$30,000 into the account by the sixth year of operations. The School also held cash for an annual math scholarship of \$5,488 and \$6,485 that is included in restricted cash at June 30, 2024 and 2023, respectively.

NET ASSETS

The School maintains the following classifications of net assets:

Without Donor Restrictions

These include revenue and expenses from the regular operations of the School, which are at the discretion of management and the Board of Directors.

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### NET ASSETS, CONTINUED

##### Without Donor Restrictions – Board Designated

The School's charter is authorized through Grace College (Note 9 and "Restricted Cash"). Grace College requires that the School establish and maintain an account held in escrow of \$30,000 no later than six years after the School's establishment. The escrow account is designated for any potential dissolution of the School. At June 30, 2024 and 2023, the School held \$30,000 in escrow which has been presented as board designated net assets in the statements of financial position.

##### With Donor Restrictions

These include contributions and grants with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. See Notes 4 and 5.

#### REVENUE RECOGNITION

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized over time in the year in which educational services are rendered.

#### CONTRIBUTIONS AND GRANTS

Contributions and grants are recognized when the donor makes an unconditional promise to give to the School and are recorded at their fair values as revenues and assets in the period the promise was received. Contributions with donor restrictions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

A portion of the School's grants are cost reimbursable which are conditioned upon incurrence of allowable qualifying expenses. These grants are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. At June 30, 2024 and 2023, the School had cost reimbursement grants of \$544,303 and \$773,952, respectively, that had not been recognized because qualifying expenditures have not yet been incurred.

#### ADVERTISING

Advertising expenses totaled \$20,358 and \$19,844 for fiscal years 2024 and 2023, respectively. The School's policy is to recognize advertising expenditures in the period in which they are incurred.

#### FUNCTIONAL ALLOCATION OF EXPENSES

In the accompanying statements of functional expenses, all expenses are allocated to program, management and general, and fundraising expenses. Expenses were allocated among the functional categories on the basis of specific identification and estimates of time spent and benefits derived.

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### TAX STATUS

The School is an Indiana not-for-profit corporation, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

#### SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through January 7, 2025, which is the date these financial statements were available to be issued.

### 2. AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operating and other commitments. The School has various sources of liquid assets at its disposal, including cash and receivables.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to ongoing activities of the school as well as the supporting operations to be general expenditures.

Financial assets available for general expenditure, within one year, consist of the following at June 30:

Financial assets at year-end	<u>2024</u>	<u>2023</u>
Cash and restricted cash	\$ 2,387,056	\$ 2,615,141
Grants receivable	<u>307,668</u>	<u>168,688</u>
Total financial assets	<u>2,694,724</u>	<u>2,783,829</u>
Less amounts not available to be used within one year		
Restricted cash	(35,488)	(36,485)
Net assets with donor restrictions	<u>(511,794)</u>	<u>(109,486)</u>
Financial assets not available to be used within one year	<u>(547,282)</u>	<u>(145,971)</u>
Financial assets available for general expenditure within one year	<u>\$ 2,147,442</u>	<u>\$ 2,637,858</u>

### 3. NOTE PAYABLE

The School obtained a loan from the State of Indiana through the Charter and Innovation School Advance Program for \$750,000 in November 2015, which matures in July 2026. The interest rate on the loan is 1% per annum and semi-annual payments of \$37,500 principal plus interest are being deducted from the School's monthly state tuition support payments.

The loan is considered below-market and, to reflect the time value of money, the liability recorded in the statements reflects the future payments discounted at an imputed interest rate of 3.5%, which was the School's long-term borrowing rate at loan inception. The balance on the loan at June 30, 2024 and 2023 was \$187,500 and \$262,500, net of unamortized discounts of \$7,030 and \$13,124, respectively.

**DUGGER UNION COMMUNITY SCHOOL CORPORATION**

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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**3. NOTE PAYABLE, CONTINUED**

The future aggregate minimum principal payments on the note payable are as follows for the years ending June 30:

2025	\$	75,000
2026		75,000
2027		<u>37,500</u>
Total loan and note payable		187,500
Less: current portion		(75,000)
Less: discount on loan payable		<u>(7,030)</u>
Long term portion	\$	<u>105,470</u>

**4. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were held for the following purposes as of June 30:

	<u>2024</u>	<u>2023</u>
School lunch program	\$ 90,279	\$ 93,462
Charter School facilities grant	395,138	-
High ability grant	6,641	2,900
Textbook fund	12,706	-
Unamortized discount from below-market interest rate	<u>7,030</u>	<u>13,124</u>
Total	<u>\$ 511,794</u>	<u>\$ 109,486</u>

**5. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the fiscal year:

	<u>2024</u>	<u>2023</u>
School lunch program	\$ 450,271	\$ 425,110
Formative assessment	7,482	6,750
High ability program	22,389	17,841
Textbook fund	82,441	39,940
Below-market interest rate loan	<u>6,094</u>	<u>7,969</u>
Total	<u>\$ 568,677</u>	<u>\$ 497,610</u>

**DUGGER UNION COMMUNITY SCHOOL CORPORATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

**6. RETIREMENT PLANS**

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributes 6.0% of compensation for electing teaching faculty to TRF and 11.2% of compensation for other electing employees to PERF in 2024 and 2023. For TRF, the School also contributes a discretionary 1.35% above the state-imposed requirement.

Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2023 (the latest year reported), both TRF and PERF were 89.1% funded. A copy of the complete annual report for the year ended June 30, 2023 can be obtained at:

[https://www.in.gov/inprs/files/INPRSAnnualReportBook\\_FY23.pdf](https://www.in.gov/inprs/files/INPRSAnnualReportBook_FY23.pdf)

Retirement plan expense was \$280,963 and \$256,213 for the years ended June 30, 2024 and 2023, respectively.

**7. FEDERAL, STATE, AND LOCAL GRANT AWARDS**

In accordance with guidelines established by the Indiana State Board of Accounts, this federal, state, and local grant information was included to aid in the verification of Indiana financial assistance on the Annual Financial Report (AFR).

Program Name	Grantor Name	Assistance Listing Number	Revenue	Expense	Funding Type
School Breakfast Program	Indiana Department of Education	10.553	\$ 151,107	\$ 157,882	Federal grant passed through state or local government
National School Lunch Program	Indiana Department of Education	10.555	289,793	300,016	Federal grant passed through state or local government
Universal Service Fund – Schools and Libraries	Indiana Department of Education	32.004	69,851	69,851	Federal grant passed through state or local government
Title I, Part A Cluster Grants to Local Educational Agencies	Indiana Department of Education	84.010	172,693	172,693	Federal grant passed through state or local government
Special Education Cluster (IDEA, Part B) Grants to States	Indiana Department of Education	84.027	127,650	127,650	Federal grant passed through state or local government
Special Education Preschool Grants	Indiana Department of Education	84.173	1,855	1,855	Federal grant passed through state or local government
Charter Schools	Indiana Department of Education	84.282D	139,643	139,643	Federal grant passed through state or local government
Rural Education	Indiana Department of Education	84.358A	34,287	34,287	Federal grant passed through state or local government

**DUGGER UNION COMMUNITY SCHOOL CORPORATION**

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

**7. FEDERAL, STATE, AND LOCAL GRANT AWARDS, CONTINUED**

Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	28,745	28,745	Federal grant passed through state or local government
Title IV, Part A, Student Support and Academic Enrichment Program	Indiana Department of Education	84.424A	11,791	11,791	Federal grant passed through state or local government
Education Stabilization Fund – Elementary and Secondary School Emergency Relief (ESSER II) Fund	Indiana Department of Education	84.425D	125,494	125,494	Federal grant passed through state or local government
Education Stabilization Fund – American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	Indiana Department of Education	84.425U	81,428	81,428	Federal grant passed through state or local government
Excellence in Performance	Indiana Department of Education	N/A	22,489	22,489	State or Local Government
High Ability Grant	Indiana Department of Education	N/A	22,389	22,389	State or Local Government
State Curriculum Materials	Indiana Department of Education	N/A	95,092	95,092	State or Local Government
Basic Tuition Support	Indiana Department of Education	N/A	5,512,534	5,512,534	State or Local Government
State Lunch Match	Indiana Department of Education	N/A	437	437	State or Local Government
Formative Assessment Grant	Indiana Department of Education	N/A	7,482	7,482	State or Local Government
Charter School Innovation	Indiana Department of Education	N/A	841,400	841,400	State or Local Government
Charter Facilities Grant	Indiana Department of Education	N/A	534,781	139,643	State or Local Government
Secured School Safety Grant	Indiana Department of Education	N/A	98,390	98,390	State or Local Government
			\$ 8,369,331	\$ 7,991,191	

**DUGGER UNION COMMUNITY SCHOOL CORPORATION**

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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**8. LEASES**

Starting in 2024, the School entered into a lease for a new copier with a term of five years.

The components of lease expense were as follows at June 30, 2024:

Finance lease cost	
Amortization of right-of-use assets	\$ 1,605
Interest on lease liabilities	340
Total finance lease cost	<u>\$ 1,945</u>

Supplemental cash flows information:

Operating cash flows from finance leases	\$ 340
Financing cash flows from finance leases	\$ 1,449

Weighted average remaining lease term:

Finance leases	4.67 years
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Weighted average discount rate:

Finance leases	4.33%
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Future minimum lease payments under non-cancellable leases as of June 30, 2024 were as follows:

2025	\$ 5,365
2026	5,365
2027	5,365
2028	5,365
2029	3,577
Total future minimum lease payments	25,037
Less imputed interest	<u>(2,405)</u>
Total	<u>\$ 22,632</u>

**9. COMMITMENTS**

The School operates under a charter granted by Grace College. As the sponsoring organization, Grace College exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Grace College an annual administrative fee equal to 3% of state tuition and complexity grant support received. Expense under this charter agreement was \$129,633 and \$110,917 for the years ended June 30, 2024 and 2023, respectively. The charter remains in effect until May 31, 2027 and is renewable thereafter by mutual consent.

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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### **10. RISKS AND UNCERTAINTIES**

The School provides educational instruction services to persons primarily residing in Dugger, Indiana and greater Sullivan County, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In fiscal years 2024 and 2023, 97.1% of the School's revenue came from the Indiana Department of Education. Furthermore, at June 30, 2024 and 2023, substantially all of the grants receivable balance was due from the State of Indiana.

### **11. RECLASSIFICATION**

Certain items in the 2023 financial statements have been reclassified to conform with the 2024 presentation. These reclassifications had no impact on net assets at June 30, 2023.

**DUGGER UNION COMMUNITY SCHOOL CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</b>	<b>ASSISTANCE LISTING NUMBER</b>	<b>AGENCY OR PASS-THROUGH NUMBER</b>	<b>FEDERAL EXPENDITURES</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the Indiana Department of Education			
<u>Child Nutrition Cluster</u>			
National School Lunch Program	10.555	N/A	\$ 300,016
School Breakfast Program	10.553		<u>157,882</u>
<i>Total Child Nutrition Cluster, Indiana Department of Education, and U.S. Department of Agriculture</i>			<u>457,898</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the Indiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010A	S367A180013/S010A210014	<u>172,693</u>
Special Education Cluster (IDEA)			
Special Education Grants to States (IDEA, Part B)	84.027	H027X210084	127,650
Special Education Preschool Grants	84.173	H173X210104	<u>1,855</u>
<i>Total Special Education Cluster (IDEA)</i>			<u>129,505</u>
Charter Schools	84.282D	N/A	<u>139,643</u>
Rural Education	84.358A	S358A211168	<u>34,287</u>
Supporting Effective Instruction State Grants	84.367	7000-S367A210013	<u>28,745</u>
Student Support and Academic Enrichment Program	84.424A	N/A	<u>11,791</u>
Education Stabilization Fund			
COVID -19 Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	S425D200013	125,494
COVID -19 ARP Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	N/A	<u>81,428</u>
<i>Total Education Stabilization Fund</i>			<u>206,922</u>
<i>Total Indiana Department of Education and U.S. Department of Education</i>			<u>723,586</u>
<i>Total expenditures of federal awards</i>			<u>\$ 1,181,484</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. INDIRECT COST RATE**

The School has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance except for federal awards granted by the US Department of Education. The US Department of Education requires a de minimis indirect cost rate of 8-percent.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Dugger Union Community School Corporation:

We have audited, in accordance with the 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 of America (Government Auditing Standards), the financial statements of Dugger Union Community School Corporation (the "School"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 7, 2025.

**Report on Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies reported as items 2024-001 and 2024-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiency reported in the accompanying schedule of findings and questioned costs as items 2024-003 to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

### **School's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements 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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Greenwald CPAs, Inc.*

January 7, 2025



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Dugger Union Community School Corporation:

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

**Opinion on Each Major Federal Program**

We have audited Dugger Union Community School Corporation's (the "School") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2024. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America (Government Auditing Standards); and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

**Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's

compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as findings 2024-001 and 2024-003. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards require the auditor to perform limited procedures on the School's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questions costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency in internal control over compliance that we consider to be a significant deficiency.

*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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-004 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the School's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Greenwald CPAs, Inc.*

January 7, 2025

**DUGGER UNION COMMUNITY SCHOOL CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**A. SUMMARY OF AUDIT RESULTS**

Financial Statements

- |   |   |  |
|---|---|--|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified                              |  |
| 2. Internal control over financial reporting:   |   |  |
| Material weakness(es) identified?   | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no            |
| Significant deficiency(ies) identified?   | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> none reported |
| 3. Noncompliance material to financial statements noted?  | <input type="checkbox"/> yes            | <input checked="" type="checkbox"/> no |

Federal Awards

- |   |   |  |
|---|---|--|
| 4. Internal control over major federal programs:  |   |  |
| Material weakness(es) identified?   | <input checked="" type="checkbox"/> yes                                 | <input type="checkbox"/> no  |
| Significant deficiency(ies) identified?   | <input checked="" type="checkbox"/> yes                                 | <input type="checkbox"/> none reported   |
| 5. Type of auditors' report issued on compliance for major federal programs:                          | Unmodified  |  |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <input checked="" type="checkbox"/> yes                                 | <input type="checkbox"/> no  |
| 7. Identification of major program:   | <u>Assistance Listing Numbers</u><br>10.553, 10.555<br>84.425D, 84.425U | <u>Name of Federal Program or Cluster</u><br>Child Nutrition Cluster<br>Education Stabilization Fund |
| 8. Dollar threshold used to distinguish between type A and type B programs:                           | \$  | 750,000  |
| 9. Auditee qualified as low-risk auditee?   | <input type="checkbox"/> yes  | <input checked="" type="checkbox"/> no   |

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

Finding 2024-001, Material Weakness, See Section C.

Finding 2024-002, Material Weakness

*Criteria:* According to FASB ASC 958-605-25-5A a conditional award must have both one or more barriers that must be overcome and a right of return to the contributor for assets transferred. FASB 958-605-25-5C further states that a probability assessment about whether the recipient is likely to meet the stipulation is not a factor when determining an agreement contains a barrier.

*Condition:* The School accounted for the Charter School Facilities Grant as a conditional award (deferred revenue) for the year ended June 30, 2024. Per the Indiana Department of Education, the grant was a formulaic entitlement in state statute and did not contain a right of return.

*Cause:* The Schools process for determining conditional awards did not include consideration of both a barrier and right of return. The clarified guidance in ASC 958-605 became effective during 2019.

*Effect:* Deferred revenue was overstated and grant revenue with donor restrictions was understated by \$395,138.

*Recommendation:* We recommend that the School update its grant revenue recognition procedures to include all elements required to assess for conditional awards. In addition, we recommend that the School consider consulting the grantor when grant agreements are unclear.

*Views of responsible officials:* See attached corrective action plan.

Finding 2024-003, Significant Deficiency

*Criteria:* In accordance with generally accepted accounting principles, expenditures should be recognized as they are incurred.

*Condition:* Two construction invoices for construction work performed prior to year-end were not recognized as accounts payable and construction in process.

*Cause:* The School's cutoff procedures did not consider fixed asset related purchases.

*Effect:* Construction in process and accounts payable were understated by \$210,825.

*Recommendation:* We recommend that the School consider evaluating significant cash disbursements subsequent to year-end as part of its financial close procedures to help identify transactions that may need reflected within the fiscal year.

*Views of responsible officials:* See attached corrective action plan.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

Finding 2024-001, Material Weakness, U.S. DEPARTMENT OF AGRICULTURE Child Nutrition Cluster 10.555 and 10.553, U.S. DEPARTMENT OF EDUCATION Education Stabilization Fund 84.425U

*Criteria:* According to 2CFR 200.510(b), the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the financial statements that includes all amounts spent on federal programs subject to single audit during the reporting period.

*Condition:* The client prepared Schedule of Expenditures of Federal Awards (SEFA) understated Child Nutrition Cluster 10.555/10.553 expenses by \$19,651 and understated Education Stabilization Fund 84.425U expenditures by \$81,428. Lastly, the client prepared SEFA overstated federal expenditures by \$69,851 for a federal award that is not subject to single audit requirements.

*Cause:* The School reported 2024 program revenue rather than expenditures for the Child Nutrition Cluster 10.555/10.553. The School's review procedures did not catch a federal award that was excluded from the SEFA, nor a federal award that was included in the SEFA that should not have been.

*Effect:* Audit adjustments were made to increase the Child Nutrition Cluster 10.555/10.553 expenses by \$19,651 and increase the Education Stabilization Fund 84.425U expenditures by \$81,428. Lastly, and audit adjustment was made to reduce federal expenditures by \$69,851 for a federal award that is not subject to single audit requirements.

*Questioned Costs:* None

*Repeat Finding:* Repeat of finding 2023-001.

*Recommendation:* We recommend the School prepare the SEFA utilizing federal award expenditures, rather than revenue. In addition, we recommend that the School's SEFA review procedures include a comparison to the prior year audited SEFA for awards that may have been excluded. Lastly, we recommend that the School research each new federal award on SAM.GOV to determine whether single audit requirements apply.

*View of responsible officials:* See attached corrective action plan.

Finding 2024-004, Significant deficiency

*Identification of federal program:* US DEPARTMENT OF AGRICULTURE passed through the Indiana Department of Education Child Nutrition Cluster 10.553 & 10.555

*Criteria:* According to 2CFR 200.318(i) the recipient or subrecipient must maintain records sufficient to detail the history of each procurement transaction. These records must include the rationale for the procurement method, contract type selection, contractor selection or rejection, and the basis for the contract price.

*Condition:* The School did not maintain records for a food vendor that met the simplified acquisition threshold for the year.

*Cause:* The Schools procurement policies do not address the frequency of which vendors should be evaluated. In addition, the policies also do not address records retention.

*Potential effect:* The procurement may not have been proper under the grant requirements.

*Questioned costs:* None.

*Context:* A total sample of four (4) of ten (10) purchases related to a certain food provider were selected as a part of procurement and suspension and debarment compliance requirement testing for the Child Nutrition Cluster.

*Recommendation:* We recommend that the School follow federal procurement guidelines for each of the different purchase thresholds for each vendor. We further recommend that the School retain any documentation created related to the procurement selection and vetting process.

*Views of Responsible Officials:* See attached Corrective Action Plan.

**D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

See attached summary schedule of prior year findings and questioned costs.



# DUGGER UNION COMMUNITY SCHOOLS

Corrective Action Plan

December 20, 2024

Cognizant or Oversight Agency for Audit

Dugger Union Community School Corporation respectfully submits the following corrective action plan for the year ended June 30, 2024.

Name and address of independent public accounting firm:

Greenwalt CPAs  
5342 West Vermont Street  
Indianapolis, IN 46224

Audit Period:

July 1, 2023 – June 30, 2024

The findings from the December 20, 2024 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings – Financial Statement Audit

Finding 2024-001

Criteria: According to 2CFR 200.510(b), the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the financial statements that includes all amounts spent on federal programs subject to single audit during the reporting period.

Condition: The client prepared Schedule of Federal Expenditures of Federal Awards (SEFA) understated the Child Nutrition Cluster 10.555/10.553 expenses by \$19,651 and understated Education Stabilization Fund 84.425U expenditures by \$81,428. Lastly, the client prepared SEFA overstated federal expenditures by \$69,851 for a federal award that is not subject to single audit requirements.

Cause: The School reported 2024 program revenue rather than expenditures for the Child Nutrition Cluster 10.555/10.553. The School's review procedures did not catch a federal award that was excluded from the SEFA, nor a federal award that was included in the SEFA that should not have been.

Effect: Audit adjustments were made to increase the Child Nutrition Cluster 10.555/10.553 expenses by \$19,651 and increase the Education Stabilization Fund 84.425U expenditures by \$81,428. Lastly, an audit adjustment was made to reduce federal expenditures by \$69,851 for a federal award that is not subject to single audit requirements.

Recommendation: We recommend the School prepare the SEFA utilizing federal award expenditures, rather than revenue. In addition, we recommend that the school's SEFA review procedures include a comparison to the prior year audited SEFA for awards that may have been excluded. Lastly, we recommend that the school research each new federal award on SAM.gov to determine whether Single audit requirements apply.

Action Taken: As of the date of the exit conference, we have adopted the above recommendations.

#### Finding 2024-0002

Criteria: According to FASB ASC 958-605-25-5A a conditional award must have both one or more barriers that must be overcome and a right of return to the contributor for assets transferred. FASB 958-605-25-5C further states that a probability assessment about whether the recipient is likely to meet the stipulation is not a factor when determining an agreement contains a barrier.

Condition: The School accounted for the Charter School Facilities Grant as a conditional award (deferred revenue) for the year ended June 30, 2024. Per the Indiana Department of Education, the grant was formulaic entitlement in state statute and did not contain a right of return.

Effect: Deferred revenue was overstated and grant revenue with donor restrictions were understated by \$395,138.

Recommendation: We recommend that the School update its grant revenue recognition procedures to include all elements required to assess for conditional awards. In addition, we recommend that the school consider consulting the grantor when the grant agreements are unclear.

Action Taken: As of the date of the exit conference, we will institute a complete and thorough review of each grant document when awarded to fully assess the conditions of the award and to determine the appropriate recognition of revenue. Furthermore, we will consult with the grantor when unclear as recommended.

#### Finding 2024-0003

Criteria: In accordance with generally accepted accounting principles, expenditures should be recognized as they are incurred.

Condition: Two construction invoices for construction work performed prior to year-end were not recognized as accounts payable and construction in process.

Cause: The School's cutoff procedures did not consider fixed asset related purchases.

Effect: Construction in process and accounts payable were understated by \$210,825.

Recommendation: We recommend that the School consider evaluating significant cash disbursements subsequent to year-end as part of its financial close procedures to identify transactions that may need reflected within the fiscal year.

Action: As of the date of this exit conference, we will institute a second level of review of all cash disbursements subsequent to the closing period to properly determine the appropriate recognition period.

Finding 2024-0004

Criteria: According to 2CFR 200.318(i) the recipient or subrecipient must maintain records sufficient to detail the history of each procurement transaction. These records must include the rationale for the procurement method, contract type selection, contractor selection or rejection, and the basis for the contract price.

Condition: The School did not maintain records for a food vendor that met the simplified acquisition threshold for the year.

Cause: The School's procurement policies do not address the frequency of which vendors should be evaluated. In addition, the policies also do not address records retention.

Potential Effect: The procurement may not have been proper under the grant requirements.

Recommendation: We recommend that the School follow federal procurement guidelines for each of the different purchase thresholds for each vendor. We further recommend that the School retain any documentation created related to the procurement selection and vetting process.

Action: As of the date of this exit conference, we will adopt the above recommendations, securing and retaining the appropriate documentation of vendor selection and retention.

Sincerely yours,



Darin Simpson  
Jr./Sr. High Administrator



# DUGGER UNION COMMUNITY SCHOOLS

Dugger Union Community Schools  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2024

## Financial Statement Audit

### FINDING 2023-001:

*Criterion:* According to 2 CFR Subpart F Section 200.510b, the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period that includes all amounts spent on federal programs during the reporting period.

*Condition:* The Schedule of Expenditures of Federal Awards (SEFA) was overstated by \$42,585.

*Cause:* The School included depreciation expense within amounts reported on the SEFA which is not an allowable cost under Uniform Guidance.

*Effect:* An audit adjustment was made to reduce the reported amount on the SEFA for the Child Nutrition Cluster (10.553, 10.555) by \$5,988, the Title I, Part A grant (84.010A) by \$378, the Student Support and Academic Enrichment Program – Title IV (84.424) by \$581, Charter Schools Grant (84.282D) by \$95, COVID-19 Elementary and Secondary School Emergency Relief (ESSER II) Fund (84.425D) by \$29,896 and the COVID-19 ARP Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (84.425U) by \$5,647.

*Recommendation:* We recommend that the School's accountant review and become familiar with Uniform Guidance and CFR 200 requirements to assist with including the accurate expenditure information in the Schedule. In addition, we recommend that the accountant reconcile federal award expenditures to the claims that were filed for the year.

*Current Status:* The recommendation was adopted for FY24. While depreciation expense was removed from the 2024 SEFA, there was a current year finding related to the SEFA. Under the current year corrective action plan, we are committed to referencing the appropriate resources to insure we have fully identified all federal programs that should be reported on the SEFA.

**DUGGER UNION COMMUNITY SCHOOL CORPORATION**

OTHER REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

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The reports presented herein were prepared in addition to another report prepared for the School as listed below:

Supplemental Audit Report of Dugger Union Community School Corporation