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April 24, 2024

Charter School Board
Lawrence County Independent Schools, Ltd.
Lawrence County, Indiana

We have reviewed the audit report of Lawrence County Independent Schools, Ltd., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report*, the financial statements included in the report present fairly the financial condition of Lawrence County Independent Schools, Ltd. as of June 30, 2023, 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 finding in the report on page 22. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 23.

In our opinion, Donovan CPAs prepared the audit report in accordance with 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.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2023 and 2022



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Lawrence County Independent Schools, Ltd.

Opinion

We audited the accompanying financial statements of Lawrence County Independent Schools, Ltd. (the "School"), which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities and change in net assets, 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, 2023 and 2022 and the results of its operations, functional expenses, and 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") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 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, which raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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Auditors' Responsibilities for the Audits 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 including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee 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, 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 and *Government Auditing Standards*, 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 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, which 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 audits, significant audit findings, and certain internal control-related matters we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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 audits 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 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 statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also issued our report dated April 15, 2024 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.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana
April 15, 2024

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 190,605	\$ 258,416
Grants receivable	583,718	175,379
Prepaid expenses	<u>24,827</u>	<u>55,157</u>
<i>Total current assets</i>	<u>799,150</u>	<u>488,952</u>
PROPERTY AND EQUIPMENT		
Building and improvements	1,582,800	1,582,800
Playground equipment	319,838	-
Less: accumulated depreciation	<u>(66,200)</u>	<u>(26,630)</u>
<i>Property and equipment, net</i>	<u>1,836,438</u>	<u>1,556,170</u>
OTHER ASSET		
Operating lease right-of-use asset	<u>26,419</u>	<u>49,510</u>
TOTAL ASSETS	<u><u>\$ 2,662,007</u></u>	<u><u>\$ 2,094,632</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 38,756	\$ 36,686
Current portion of operating lease liability	24,333	23,091
Accounts payable and accrued expenses	545,286	335,128
Due to Charter School Capital	<u>202,600</u>	<u>-</u>
<i>Total current liabilities</i>	<u>810,975</u>	<u>394,905</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	733,621	779,878
Operating lease liability, net of current portion	2,086	26,419
Less: unamortized debt issuance costs	<u>(15,397)</u>	<u>(16,524)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>720,310</u>	<u>789,773</u>
TOTAL LIABILITIES	1,531,285	1,184,678
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>1,130,722</u>	<u>909,954</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,662,007</u></u>	<u><u>\$ 2,094,632</u></u>

See independent auditors' report and accompanying notes to the financial statements

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUE AND SUPPORT		
State education support	\$ 2,272,627	\$ 2,654,205
Grant revenue	1,352,164	598,404
Student fees	47,813	590
Fundraising	3,889	14,158
Contributions	3,221	6,655
Other income	4,033	4,350
	<u>3,683,747</u>	<u>3,278,362</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	2,998,693	2,871,151
Management and general	464,286	369,609
	<u>3,462,979</u>	<u>3,240,760</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	220,768	37,602
NET ASSETS, BEGINNING OF YEAR	<u>909,954</u>	<u>872,352</u>
NET ASSETS, END OF YEAR	<u>\$ 1,130,722</u>	<u>\$ 909,954</u>

See independent auditors' report and accompanying notes to the financial statements

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,263,970	\$ 253,275	\$ 1,517,245	\$ 1,465,906	\$ 193,986	\$ 1,659,892
Employee benefits	394,089	44,007	438,096	298,897	23,945	322,842
Professional services	264,538	49,413	313,951	122,723	68,003	190,726
Classroom and office supplies	204,443	47,847	252,290	194,421	15,071	209,492
Transportation	231,230	-	231,230	190,518	-	190,518
Repairs and maintenance	214,793	-	214,793	74,855	-	74,855
Occupancy	140,331	5,560	145,891	119,272	788	120,060
Food costs	91,106	-	91,106	93,933	-	93,933
Equipment	60,688	-	60,688	200,765	-	200,765
Authorizer oversight fees	-	51,558	51,558	-	62,318	62,318
Interest	50,527	-	50,527	32,383	-	32,383
Depreciation	39,570	-	39,570	26,630	-	26,630
Staff development and recruitment	20,605	-	20,605	11,280	-	11,280
Insurance	18,127	-	18,127	29,751	-	29,751
Travel	543	25	568	470	1,681	2,151
Information technology	-	-	-	3,001	-	3,001
Other	4,133	12,601	16,734	6,346	3,817	10,163
<i>Total functional expenses</i>	<u>\$ 2,998,693</u>	<u>\$ 464,286</u>	<u>\$ 3,462,979</u>	<u>\$ 2,871,151</u>	<u>\$ 369,609</u>	<u>\$ 3,240,760</u>

See independent auditors' report and accompanying notes to the financial statements

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 220,768	\$ 37,602
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	39,570	26,630
Amortization of debt issuance costs included in interest expense	1,127	376
Changes in certain assets and liabilities:		
Grants receivable	(408,339)	(175,379)
Prepaid expenses	30,330	(55,157)
Accounts payable and accrued expenses	<u>(39,398)</u>	<u>335,128</u>
<i>Net cash provided by (used in) operating activities</i>	<u>(155,942)</u>	<u>169,200</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(70,282)</u>	<u>(632,800)</u>
FINANCING ACTIVITIES		
Proceeds from notes payable	13,500	1,242,952
Principal payments on notes payable	(57,687)	(655,388)
Net borrowings from Charter School Capital	<u>202,600</u>	<u>-</u>
<i>Net cash provided by financing activities</i>	<u>158,413</u>	<u>587,564</u>
NET CHANGE IN CASH	(67,811)	123,964
CASH, BEGINNING OF YEAR	<u>258,416</u>	<u>134,452</u>
CASH, END OF YEAR	<u><u>\$ 190,605</u></u>	<u><u>\$ 258,416</u></u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 49,400	\$ 32,007
Property and equipment purchases in accounts payable	249,556	-
Debt issuance costs financed through notes payable	-	16,900

See independent auditors' report and accompanying notes to the financial statements

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Lawrence County Independent Schools, Ltd. (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 under Indiana Code 20-24 and is sponsored by Education One, LLC through Trine University ("Education One"). The charter agreement remains in effect until June 30, 2026 and is renewable thereafter by mutual consent. During the 2022-2023 school year, the School served approximately 240 students in kindergarten through eighth grade (300 students during the 2021-2022 school year).

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions, which includes unrestricted resources available for the operating objectives of the School; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

As of June 30, 2023 and 2022, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. As of June 30, 2023 and 2022, there were no cash equivalents.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Property and Equipment – Purchases of assets and expenditures over \$5,000 which materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method (building and improvements over 40 years; playground equipment over 5 years).

Debt Issuance Costs – The School incurred costs associated with securing financing for the remodeling of the school facility and to purchase necessary equipment. Total debt issuance costs incurred were \$16,900. Amortization is provided on a straight-line basis over the 15-year term of the related note payable and totaled \$751 and \$376 for the years ended June 30, 2023 and 2022, respectively. Unamortized bond issuance costs were \$15,397 and \$16,524 as of June 30, 2023 and 2022, respectively. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – The School received a determination from the U.S. Treasury Department stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2023 and 2022, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2019 are open to audit for both federal and state purposes.

Reclassifications – Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net assets.

Subsequent Events – The School evaluated subsequent events through April 15, 2024, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 - REVENUE RECOGNITION

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 in the year in which the educational services are rendered.

A significant portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs under the grants is considered satisfaction of the performance obligation.

The School also received contributions and grants from other agencies and individuals which are recorded in accordance with the terms of the underlying agreements.

Student fees, including textbook rentals, are recognized in the year in which the services are rendered.

Disaggregation of Revenue – Revenue is disaggregated on the statements of activities and change in net assets.

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 3 - DUE TO CHARTER SCHOOL CAPITAL

The School has a Receivables Purchase Agreement (“RPA”) with Charter School Capital, Inc. (“CSC”) to sell, transfer, and otherwise convey to CSC without recourse all of the School’s rights, title and interest in, to, and under certain basic grant and other receivables. Under the terms of the RPA, the School’s sale limit during the term of the RPA is a maximum of \$435,000 at any one time outstanding. During the year ended June 30, 2023, the School executed the sales of receivables totaling \$435,000, for a cost of approximately \$7,183 which is included in interest expense. Outstanding receivables owed to CSC as of June 30, 2023 were \$202,600.

NOTE 4 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Note payable to IFF, payable in monthly installments of \$6,666, including interest at 5.5% per annum, secured by substantially all assets of the School	\$ 767,377	\$ 804,064
Note payable at no interest to an outside consultant, no stated repayment terms	5,000	-
Note payable at no interest to a founding Board member, no stated repayment terms	-	12,500
	<u>772,377</u>	<u>816,564</u>
Less: current portion	<u>(38,756)</u>	<u>(36,686)</u>
Long-term portion	<u>\$ 733,621</u>	<u>\$ 779,878</u>

Principal maturities of notes payable are as follows for the years ending June 30:

2024	\$ 38,756
2025	40,942
2026	43,251
2027	45,691
2028	48,268
Thereafter	<u>555,469</u>
	<u>\$ 772,377</u>

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 5 - LEASE

Effective July 1, 2022, the School adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 replaced previous lease guidance under U.S. GAAP and aims to increase transparency and comparability among organizations by recognizing operating lease right-of-use assets and operating lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is applied retrospectively to each period presented by reflecting an operating lease right-of-use asset and related liability of \$49,510 as of June 30, 2022.

The School leases 360 computers for use by students under an operating lease arrangement. Rent expense under this lease totaled \$25,140 for both years ended June 30, 2023 and 2022. The School recorded an operating lease right-of-use asset and operating lease liability using a discount rate equal to the prime rate at the time of signing of the lease (3.25% as of January 1, 2021) plus 2% (total of 5.25%).

Future minimum payments under the non-cancellable operating lease are as follows for the years ending December 31:

2024	\$	25,140
2025		<u>2,095</u>
		27,235
Less: imputed interest		<u>(816)</u>
Total lease liability		26,419
Less: current portion		<u>(24,333)</u>
Long-term portion	\$	<u><u>2,086</u></u>

NOTE 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”) which is a 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. The School contributed 6% of compensation for eligible teaching personnel to TRF during both years ended June 30, 2023 and 2022. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School’s contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2023, TRF was approximately 88% funded. Total contributions to INPRS for TRF was \$142,539 and \$62,321 during the years ended June 30, 2023 and 2022, respectively.

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 6 - RETIREMENT PLANS, Continued

School employees also have the option to participate in a 403(b) plan administered by an outside party. For the year ended June 30, 2023, the School contributed 6% of employee contributions to the 403(b) Plan (5.5% in 2022). For the years ended June 30, 2023 and 2022, the School contributed \$94,448 and \$65,553 of employer contributions to the 401(b) plan.

NOTE 7 - COMMITMENTS

As the sponsoring organization, Education One exercises certain oversight responsibilities. Education One assesses a fee in an amount equal to no more than 3% of the basic tuition support received by the School. The authorizer oversight fees were \$51,558 and \$62,318 for the years ended June 30, 2023 and 2022, respectively. In addition, the charter agreement requires the School to establish an escrow account of \$50,000 should a dissolution occur, which has not been established as of June 30, 2023 and 2022.

NOTE 8 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Lawrence County in Indiana 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.

Bank deposits are maintained at Old National Bank and are insured up to the FDIC insurance limit. Occasionally cash balances exceed the FDIC insured limit.

NOTE 9 - LIQUIDITY

Financial assets held by the School include cash and grants receivable totaling \$774,323 and \$433,795 as of June 30, 2023 and 2022, respectively. As of June 30, 2023, \$202,600 of the balance of grants receivable is committed to repay Charter School Capital. The School is also obligated to establish a \$50,000 dissolution cash escrow account to be used in the event of School closure. The remainder of the financial assets are available to meet cash needs for general expenditures within one year.

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

The costs of providing educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

SUPPLEMENTARY INFORMATION

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 25,797
National School Lunch Program	10.555		<u>122,962</u>
<i>Total U.S. Department of Agriculture</i>			<u>148,759</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A; Grants to Local Educational Agencies	84.010	S010A210014	10,456
Title I, Part A; Grants to Local Educational Agencies	84.010	S010A220014	108,914
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A220013	13,637
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A210013	12,375
Title IV, Part A; Student Support and Academic Enrichment	84.424A	S424220015	10,000
Special Education Cluster			
Special Education - Grants to States	84.027A	22611-649-DY01	85,223
Special Education - Grants to States	84.027A	23611-649-PN01	88,682
Special Education - Preschool Grants	84.173A	22619-649-DY01	1,304
Special Education - Preschool Grants	84.173A	23619-649-PN01	1,400
Special Education - Preschool Grants	84.173X	22619-649-DYAR	1,271
Special Education - Grants to States	84.027X	22611-649-DYAR	17,030
Charter School Programs	84.282A	62012	519,915
Charter School Programs	84.282A	74012	32,788
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	81,764
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	<u>202,121</u>
<i>Total U.S. Department of Education</i>			<u>1,186,880</u>
<i>Total federal awards expended</i>			<u>\$ 1,335,639</u>

See independent auditors' report and accompanying notes to this schedule

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Lawrence County Independent Schools, Ltd. (the "School") under programs of the federal government for the year ended June 30, 2023. 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, Cost 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, functional expenses, or cash flows of the School.

NOTE 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.

NOTE 3 - INDIRECT COST RATE

The School elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Donovan CPAs

INDEPENDENT AUDITORS' 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

The Board of Directors
Lawrence County Independent Schools, Ltd.

We 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, the financial statements of Lawrence County Independent Schools, Ltd. (the "School"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and issued our report thereon dated April 15, 2024.

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") to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion 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.

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 a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control which might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

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 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 required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized 'D'.

Indianapolis, Indiana
April 15, 2024



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *THE UNIFORM GUIDANCE*

The Board of Directors
Lawrence County Independent Schools, Ltd.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We audited Lawrence County Independent Schools, Ltd.'s (the "School") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* which could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. 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 which could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2023-001. Our opinion on the major federal programs is not modified with respect to this matter.

The School's response to the noncompliance finding identified in our audit is described in the Corrective Action Plan on page 23. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 ("*Government Auditing Standards*"); and the audit requirements of the 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.

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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 the audit evidence we obtained is sufficient and appropriate to provide a basis for our 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 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, 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 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.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which 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 Finding No. 2023-001 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance which might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist which were not identified.

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.

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.

DONOVAN



Indianapolis, Indiana
April 15, 2024

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	No
• Significant deficiency identified?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major programs:	

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.282A	Charter School Programs

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

II. Financial Statement Findings

No matters were reportable.

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

III. Federal Award Findings and Questioned Costs

FINDING 2023-001 PROCUREMENT
SIGNIFICANT DEFICIENCY

Federal Program: Charter School Programs

Assistance Listing Numbers: 84.282A

Criteria

Per 2 CFR 200.318, “The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §200.317 through 200.327.”

Per 2 CFR 200.320(a)(2)(i) Small Purchase Procedures, “The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity.”

Condition

The School was unable to provide documentation to support that price comparisons were obtained from vendors for costs falling in the category of small purchases (between \$10,000 and \$249,999). Additionally, the School’s procedures manual did not include procedures for the handling of these transactions.

Cause

Documentation was not maintained to support that this step in the procurement process was completed.

Effect

Not documenting these procedures could result in the School completing procurement transactions not in compliance with Federal regulations.

Recommendation

We recommend the School develop procedures to ensure price comparisons are obtained and documented.

Views of Responsible Officials and Planned Corrective Actions

The School’s Corrective Action Plan is included on page 23.



Lawrence County Independent Schools

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April 15, 2024

Donovans CPA

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RE: Findings 2023-001 Procurement
Assistance Listing Number 84.282A

Dear Sirs;

Lawrence County Independent Schools has implemented the following Corrective Action Plan in response to the finding of the Single Audit for fiscal years ending 2023.

Corrective Action Plan

1. The LCIS Procurement Policy has been updated by the Director of Schools, Joanne Symcox, under the non-Federal entity (Per 2 CFR 200.318) to conform to procurement standards identified in 200.317 through 200.327.
2. The updated policy will be presented at the March 21, 2024 Board Meeting for review and approval.
3. The corrective action plan was implemented beginning Mar 13, 2024.
4. The Director of Schools, Joanne Symcox is responsible for plan implementation and adherence.

Sincerely,

Joanne Symcox



Lawrence County Independent Schools

223 Old Farm Road, Bedford, IN 47421

lcis.education



LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD.
OTHER REPORT
For the Year Ended June 30, 2023

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

Supplemental Audit Report of Lawrence County Independent Schools, Ltd.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.