

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

DUNELAND SCHOOL CORPORATION
PORTER COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
01/20/2016

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--|--|
| Treasurer | Bonita K. Gaston (Vacant) Lynn A. Kwilasz | 07-01-12 to 06-30-13 07-01-13 to 07-31-13 08-01-13 to 06-30-16 |
| Superintendent of Schools | Dr. Dirk E. Baer Dr. David L. Pruis | 07-01-12 to 06-30-13 07-01-13 to 06-30-16 |
| President of the School Board | Janice M. Custer Michael Trout Ralph Ayres | 01-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-15 |



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE DUNELAND SCHOOL CORPORATION, PORTER COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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


Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2015, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

October 14, 2015



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

TO: THE OFFICIALS OF THE DUNELAND SCHOOL CORPORATION, PORTER COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Duneland School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated October 14, 2015, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters


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

Duneland School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

October 14, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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

| | Cash and Investments | | | Other Financing Sources (Uses) | Cash and Investments | | | Other Financing Sources (Uses) | Cash and Investments |
|---|----------------------|----------------------|----------------------|--------------------------------|----------------------|----------------------|----------------------|--------------------------------|----------------------|
| | 07-01-12 | Receipts | Disbursements | | 06-30-13 | Receipts | Disbursements | | |
| General | \$ 447,197 | \$ 34,745,864 | \$ 34,689,818 | \$ 137,207 | \$ 640,450 | \$ 35,557,865 | \$ 32,787,131 | \$ 1,947 | \$ 3,413,131 |
| Referendum Tax Levy | - | 2,773,592 | 1,032,899 | - | 1,740,693 | 5,910,121 | 4,505,926 | - | 3,144,888 |
| Debt Service | 4,622,933 | 8,072,091 | 8,208,491 | (24,355) | 4,462,178 | 7,792,481 | 8,253,631 | (176,035) | 3,824,993 |
| Retirement/Severance Bond Debt Service | 921,536 | 1,515,004 | 1,591,449 | - | 845,091 | 1,606,008 | 1,595,628 | - | 855,471 |
| Capital Projects | 3,245,152 | 7,836,032 | 7,654,291 | - | 3,426,893 | 8,543,964 | 9,133,642 | - | 2,837,215 |
| School Transportation | 2,781,839 | 3,764,563 | 3,487,244 | 2,000 | 3,061,158 | 3,609,262 | 3,509,237 | (745,500) | 2,415,683 |
| School Bus Replacement | 531,802 | 654,011 | 552,290 | - | 633,523 | 781,913 | 521,743 | - | 893,693 |
| Rainy Day | 4,275,508 | - | - | - | 4,275,508 | - | 155,000 | 750,000 | 4,870,508 |
| Retirement/Severance Bond | 1,416,012 | 1,707 | 290,536 | - | 1,127,183 | 901 | 274,915 | - | 853,169 |
| Construction | 210,134 | 5,625 | 105,105 | - | 110,654 | - | 110,654 | - | - |
| School Lunch | 535,028 | 2,535,384 | 2,629,488 | - | 440,924 | 2,509,331 | 2,477,448 | - | 472,807 |
| Textbook Rental | 294,895 | 886,478 | 613,783 | 24,355 | 591,945 | 684,562 | 458,733 | 176,035 | 993,809 |
| Self-Insurance | 4,929,956 | 5,624,842 | 6,039,301 | - | 4,515,497 | 6,271,324 | 7,286,559 | - | 3,500,262 |
| Levy Excess | 134,108 | - | - | (134,108) | - | - | - | - | - |
| Alternative Education | 77,178 | 8,026 | - | - | 85,204 | 9,812 | 19,322 | - | 75,694 |
| Early Intervention Grant | 400 | - | - | - | 400 | - | 400 | - | - |
| Guidance Grant | 334 | - | - | - | 334 | - | - | - | 334 |
| Extra-Curricular Activities | 37,161 | 16,399 | 31,976 | - | 21,584 | 27,678 | 27,869 | - | 21,393 |
| Scholarships and Awards | 5,869 | 180 | - | - | 6,049 | - | - | - | 6,049 |
| BP Grant | 38 | - | - | - | 38 | - | 38 | - | - |
| Miscellaneous Programs | (4,643) | 88,089 | 97,031 | (2,000) | (15,585) | 93,735 | 85,851 | (4,500) | (12,201) |
| DEF CHS Media Center | - | - | - | - | - | - | 987 | - | (987) |
| Indiana Next 2002-2003 | 128 | - | 128 | - | - | - | - | - | - |
| Indiana Next 2001-2002 | 743 | - | 743 | - | - | - | - | - | - |
| NSTA Grant | 821 | - | 821 | - | - | - | - | - | - |
| Friends of Duneland | - | 2,500 | - | - | 2,500 | - | - | - | 2,500 |
| Local Donation/Grant | - | - | - | - | - | 275 | 275 | - | - |
| Donations | - | - | - | - | - | 32,541 | 10,011 | - | 22,530 |
| Donations - CHS | - | - | - | - | - | 5,000 | - | - | 5,000 |
| Roof Settlement | 649,239 | - | 12,134 | - | 637,105 | - | 19,290 | - | 617,815 |
| High Ability Grant | - | - | - | - | - | 53,299 | 39,682 | - | 13,617 |
| Non-English Speaking Programs P.L. 273-1999 | 671 | 3,677 | 5,217 | - | (869) | 6,076 | 3,565 | - | 1,642 |
| School Technology | 2,054 | 8,841 | 14,530 | 11,869 | 8,234 | 13,517 | 20,056 | - | 1,695 |
| Intelenet Refund | 11,869 | - | - | (11,869) | - | - | - | - | - |
| Title I - Grants to LEAs | (10,885) | 361,392 | 496,815 | - | (146,308) | 545,723 | 446,176 | - | (46,761) |
| Innovative Education Program Strategies Title V (Part A) | 568 | - | 568 | - | - | - | - | - | - |
| Title VI | 914 | - | 914 | - | - | - | - | - | - |
| Serve America | 1,137 | - | 1,137 | - | - | - | - | - | - |
| Anti Drug Abuse 2010 | 1,450 | - | 1,450 | - | - | - | - | - | - |
| Title II - Dwight D. Eisenhower - Science and Math Technology Grants | 791 | - | 791 | - | - | - | - | - | - |
| 2010 General Obligation Refund | 823 | - | - | - | 823 | - | - | - | 823 |
| Eisenhower Title II | 1,921 | - | 1,921 | - | - | - | - | - | - |
| Improving Teaching Quality, No Child Left, Title II, Part A | - | 265,663 | 265,454 | - | 209 | 192,058 | 207,443 | - | (15,176) |
| Title IIA - eLearning | - | - | - | - | - | 2,740 | 2,740 | - | - |
| Title III - Language Instruction | - | - | - | - | - | - | 2,989 | - | (2,989) |
| Title I - Grants to LEAs ARRA | (5,703) | 14,028 | 8,325 | - | - | - | - | - | - |
| Payroll Clearing | 386,321 | 7,919,492 | 7,824,196 | - | 481,617 | 8,290,046 | 8,416,939 | - | 354,724 |
| Education Jobs | (15,974) | 38,380 | 22,406 | - | - | - | - | - | - |
| Totals | \$ 25,489,325 | \$ 77,141,860 | \$ 75,681,252 | \$ 3,099 | \$ 26,953,032 | \$ 82,540,232 | \$ 80,373,880 | \$ 1,947 | \$ 29,121,331 |

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

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

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

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

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

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

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

Nonprogrammed charges which include outflows for donations to foundations, securities purchased indirect costs, scholarships, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

C. Additional Pension Plan

The School Corporation also contributes to an additional pension plan unique to the School Corporation. Information regarding this plan may be obtained from the School Corporation.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation was not received by fiscal year end.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporations*

The School Corporation has entered into a capital lease with Duneland School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2013 and 2014, totaled \$6,198,175, and \$6,199,875, respectively.

Note 9. *Subsequent Events*

The School Corporation issued the 2015 General Obligation Bonds totaling \$7,500,000 on March 24, 2015. The proceeds will be used throughout the School Corporation to fund various repairs and upgrades.

Note 10. *Other Postemployment Benefits*

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

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OTHER INFORMATION - UNAUDITED

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

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

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

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

| | General | Referendum Tax Levy | Debt Service | Retirement/ Severance Bond Debt Service | Capital Projects | School Transportation | School Bus Replacement |
|---|-------------------|---------------------------|---------------------|---|---------------------|--------------------------|------------------------------|
| Cash and investments - beginning | \$ 447,197 | \$ - | \$ 4,622,933 | \$ 921,536 | \$ 3,245,152 | \$ 2,781,839 | \$ 531,802 |
| Receipts: | | | | | | | |
| Local sources | 928,981 | 2,773,592 | 8,072,091 | 1,515,004 | 7,795,482 | 3,756,978 | 654,011 |
| State sources | 33,816,883 | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other | - | - | - | - | 40,550 | 7,585 | - |
| Total receipts | <u>34,745,864</u> | <u>2,773,592</u> | <u>8,072,091</u> | <u>1,515,004</u> | <u>7,836,032</u> | <u>3,764,563</u> | <u>654,011</u> |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 23,219,878 | 573,927 | - | - | - | - | - |
| Support services | 10,877,070 | 458,972 | - | - | 3,386,845 | 3,487,244 | 552,290 |
| Noninstructional services | 592,870 | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | 4,267,446 | - | - |
| Debt services | - | - | 8,208,491 | 1,591,449 | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | <u>34,689,818</u> | <u>1,032,899</u> | <u>8,208,491</u> | <u>1,591,449</u> | <u>7,654,291</u> | <u>3,487,244</u> | <u>552,290</u> |
| Excess (deficiency) of receipts over disbursements | <u>56,046</u> | <u>1,740,693</u> | <u>(136,400)</u> | <u>(76,445)</u> | <u>181,741</u> | <u>277,319</u> | <u>101,721</u> |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | 3,099 | - | - | - | - | - | - |
| Transfers in | 134,108 | - | - | - | - | 2,000 | - |
| Transfers out | - | - | (24,355) | - | - | - | - |
| Total other financing sources (uses) | <u>137,207</u> | <u>-</u> | <u>(24,355)</u> | <u>-</u> | <u>-</u> | <u>2,000</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>193,253</u> | <u>1,740,693</u> | <u>(160,755)</u> | <u>(76,445)</u> | <u>181,741</u> | <u>279,319</u> | <u>101,721</u> |
| Cash and investments - ending | <u>\$ 640,450</u> | <u>\$ 1,740,693</u> | <u>\$ 4,462,178</u> | <u>\$ 845,091</u> | <u>\$ 3,426,893</u> | <u>\$ 3,061,158</u> | <u>\$ 633,523</u> |

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

| | Rainy Day | Retirement/ Severance Bond | Construction | School Lunch | Textbook Rental | Self- Insurance | Levy Excess |
|---|--------------|----------------------------------|--------------|-----------------|--------------------|--------------------|----------------|
| Cash and investments - beginning | \$ 4,275,508 | \$ 1,416,012 | \$ 210,134 | \$ 535,028 | \$ 294,895 | \$ 4,929,956 | \$ 134,108 |
| Receipts: | | | | | | | |
| Local sources | - | 1,707 | - | 1,595,323 | 762,032 | 5,624,842 | - |
| State sources | - | - | - | 34,852 | 124,446 | - | - |
| Federal sources | - | - | - | 904,834 | - | - | - |
| Other | - | - | 5,625 | 375 | - | - | - |
| Total receipts | - | 1,707 | 5,625 | 2,535,384 | 886,478 | 5,624,842 | - |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | 76,125 | - | - | - | - | - |
| Support services | - | 214,411 | - | - | 613,783 | 38,006 | - |
| Noninstructional services | - | - | - | 2,629,488 | - | - | - |
| Facilities acquisition and construction | - | - | 105,105 | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | 6,001,295 | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | - | 290,536 | 105,105 | 2,629,488 | 613,783 | 6,039,301 | - |
| Excess (deficiency) of receipts over disbursements | - | (288,829) | (99,480) | (94,104) | 272,695 | (414,459) | - |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | 24,355 | - | - |
| Transfers out | - | - | - | - | - | - | (134,108) |
| Total other financing sources (uses) | - | - | - | - | 24,355 | - | (134,108) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (288,829) | (99,480) | (94,104) | 297,050 | (414,459) | (134,108) |
| Cash and investments - ending | \$ 4,275,508 | \$ 1,127,183 | \$ 110,654 | \$ 440,924 | \$ 591,945 | \$ 4,515,497 | \$ - |

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

| | Alternative Education | Early Intervention Grant | Guidance Grant | Extra- Curricular Activities | Scholarships and Awards | BP Grant | Miscellaneous Programs |
|---|--------------------------|--------------------------------|-------------------|------------------------------------|-------------------------------|--------------|---------------------------|
| Cash and investments - beginning | \$ 77,178 | \$ 400 | \$ 334 | \$ 37,161 | \$ 5,869 | \$ 38 | \$ (4,643) |
| Receipts: | | | | | | | |
| Local sources | - | - | - | 16,399 | 180 | - | 88,089 |
| State sources | 8,026 | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Total receipts | <u>8,026</u> | <u>-</u> | <u>-</u> | <u>16,399</u> | <u>180</u> | <u>-</u> | <u>88,089</u> |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | - | - | 31,976 | - | - | 97,031 |
| Support services | - | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,976</u> | <u>-</u> | <u>-</u> | <u>97,031</u> |
| Excess (deficiency) of receipts over disbursements | <u>8,026</u> | <u>-</u> | <u>-</u> | <u>(15,577)</u> | <u>180</u> | <u>-</u> | <u>(8,942)</u> |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | (2,000) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,000)</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>8,026</u> | <u>-</u> | <u>-</u> | <u>(15,577)</u> | <u>180</u> | <u>-</u> | <u>(10,942)</u> |
| Cash and investments - ending | <u>\$ 85,204</u> | <u>\$ 400</u> | <u>\$ 334</u> | <u>\$ 21,584</u> | <u>\$ 6,049</u> | <u>\$ 38</u> | <u>\$ (15,585)</u> |

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

| | DEF CHS Media Center | Indiana Next 2002 - 2003 | Indiana Next 2001 - 2002 | NSTA Grant | Friends of Duneland | Local Donation/ Grant | Donations |
|---|----------------------------|--------------------------------|--------------------------------|---------------|------------------------|-----------------------------|-----------|
| Cash and investments - beginning | \$ - | \$ 128 | \$ 743 | \$ 821 | \$ - | \$ - | \$ - |
| Receipts: | | | | | | | |
| Local sources | - | - | - | - | 2,500 | - | - |
| State sources | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Total receipts | - | - | - | - | 2,500 | - | - |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | 128 | 743 | 821 | - | - | - |
| Support services | - | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | - | 128 | 743 | 821 | - | - | - |
| Excess (deficiency) of receipts over disbursements | - | (128) | (743) | (821) | 2,500 | - | - |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (128) | (743) | (821) | 2,500 | - | - |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ - | \$ 2,500 | \$ - | \$ - |

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

| | Donations - CHS | Roof Settlement | High Ability Grant | Non-English Speaking Programs P.L. 273-1999 | School Technology | Intelenet Refund | Title I - Grants To LEAs |
|---|--------------------|--------------------|--------------------------|--|----------------------|---------------------|-----------------------------|
| Cash and investments - beginning | \$ - | \$ 649,239 | \$ - | \$ 671 | \$ 2,054 | \$ 11,869 | \$ (10,885) |
| Receipts: | | | | | | | |
| Local sources | - | - | - | - | - | - | - |
| State sources | - | - | - | 3,677 | 8,841 | - | - |
| Federal sources | - | - | - | - | - | - | 361,392 |
| Other | - | - | - | - | - | - | - |
| Total receipts | - | - | - | 3,677 | 8,841 | - | 361,392 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | - | - | 5,217 | - | - | 479,182 |
| Support services | - | - | - | - | 14,530 | - | 17,066 |
| Noninstructional services | - | - | - | - | - | - | 567 |
| Facilities acquisition and construction | - | 12,134 | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | - | 12,134 | - | 5,217 | 14,530 | - | 496,815 |
| Excess (deficiency) of receipts over disbursements | - | (12,134) | - | (1,540) | (5,689) | - | (135,423) |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | 11,869 | - | - |
| Transfers out | - | - | - | - | - | (11,869) | - |
| Total other financing sources (uses) | - | - | - | - | 11,869 | (11,869) | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (12,134) | - | (1,540) | 6,180 | (11,869) | (135,423) |
| Cash and investments - ending | \$ - | \$ 637,105 | \$ - | \$ (869) | \$ 8,234 | \$ - | \$ (146,308) |

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

| | Innovative Education Program Strategies Title V (Part A) | Title VI | Serve America | Anti Drug Abuse 2010 | Title II - Dwight D. Eisenhower - Science and Math Technology Grants | 2010 General Obligation Refund | Eisenhower Title II |
|---|---|----------|------------------|-------------------------|---|--------------------------------------|------------------------|
| Cash and investments - beginning | \$ 568 | \$ 914 | \$ 1,137 | \$ 1,450 | \$ 791 | \$ 823 | \$ 1,921 |
| Receipts: | | | | | | | |
| Local sources | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Total receipts | - | - | - | - | - | - | - |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | 914 | 1,137 | 1,450 | 791 | - | 1,921 |
| Support services | 568 | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | 568 | 914 | 1,137 | 1,450 | 791 | - | 1,921 |
| Excess (deficiency) of receipts over disbursements | (568) | (914) | (1,137) | (1,450) | (791) | - | (1,921) |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (568) | (914) | (1,137) | (1,450) | (791) | - | (1,921) |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 823 | \$ - |

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

| | Improving Teaching Quality, No Child Left, Title II, Part A | Title IIA - eLearning | Title III - Language Instruction | Title I - Grants To LEAs ARRA | Payroll Clearing | Education Jobs | Totals |
|---|--|--------------------------|--|-------------------------------------|---------------------|-------------------|----------------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ (5,703) | \$ 386,321 | \$ (15,974) | \$ 25,489,325 |
| Receipts: | | | | | | | |
| Local sources | - | - | - | - | - | - | 33,587,211 |
| State sources | - | - | - | - | - | - | 33,996,725 |
| Federal sources | 265,663 | - | - | 14,028 | - | 38,380 | 1,584,297 |
| Other | - | - | - | - | 7,919,492 | - | 7,973,627 |
| Total receipts | <u>265,663</u> | <u>-</u> | <u>-</u> | <u>14,028</u> | <u>7,919,492</u> | <u>38,380</u> | <u>77,141,860</u> |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 265,454 | - | - | 1,531 | - | 22,406 | 24,780,632 |
| Support services | - | - | - | 6,581 | - | - | 19,667,366 |
| Noninstructional services | - | - | - | 213 | - | - | 3,223,138 |
| Facilities acquisition and construction | - | - | - | - | - | - | 4,384,685 |
| Debt services | - | - | - | - | - | - | 9,799,940 |
| Nonprogrammed charges | - | - | - | - | - | - | 6,001,295 |
| Interfund loans | - | - | - | - | 7,824,196 | - | 7,824,196 |
| Total disbursements | <u>265,454</u> | <u>-</u> | <u>-</u> | <u>8,325</u> | <u>7,824,196</u> | <u>22,406</u> | <u>75,681,252</u> |
| Excess (deficiency) of receipts over disbursements | <u>209</u> | <u>-</u> | <u>-</u> | <u>5,703</u> | <u>95,296</u> | <u>15,974</u> | <u>1,460,608</u> |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | 3,099 |
| Transfers in | - | - | - | - | - | - | 172,332 |
| Transfers out | - | - | - | - | - | - | (172,332) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,099</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>209</u> | <u>-</u> | <u>-</u> | <u>5,703</u> | <u>95,296</u> | <u>15,974</u> | <u>1,463,707</u> |
| Cash and investments - ending | <u>\$ 209</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 481,617</u> | <u>\$ -</u> | <u>\$ 26,953,032</u> |

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

| | General | Referendum Tax Levy | Debt Service | Retirement/ Severance Bond Debt Service | Capital Projects | School Transportation | School Bus Replacement |
|---|---------------------|---------------------------|---------------------|---|---------------------|--------------------------|------------------------------|
| Cash and investments - beginning | \$ 640,450 | \$ 1,740,693 | \$ 4,462,178 | \$ 845,091 | \$ 3,426,893 | \$ 3,061,158 | \$ 633,523 |
| Receipts: | | | | | | | |
| Local sources | 935,392 | 5,910,121 | 7,792,481 | 1,606,008 | 8,419,103 | 3,599,940 | 682,340 |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | 34,622,473 | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other | - | - | - | - | 124,861 | 9,322 | 99,573 |
| Total receipts | <u>35,557,865</u> | <u>5,910,121</u> | <u>7,792,481</u> | <u>1,606,008</u> | <u>8,543,964</u> | <u>3,609,262</u> | <u>781,913</u> |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 22,618,346 | 2,039,929 | - | - | - | - | - |
| Support services | 9,616,559 | 2,465,997 | - | - | 3,664,424 | 3,509,237 | 521,743 |
| Noninstructional services | 552,226 | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | 5,469,218 | - | - |
| Debt services | - | - | 8,253,631 | 1,595,628 | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | <u>32,787,131</u> | <u>4,505,926</u> | <u>8,253,631</u> | <u>1,595,628</u> | <u>9,133,642</u> | <u>3,509,237</u> | <u>521,743</u> |
| Excess (deficiency) of receipts over disbursements | <u>2,770,734</u> | <u>1,404,195</u> | <u>(461,150)</u> | <u>10,380</u> | <u>(589,678)</u> | <u>100,025</u> | <u>260,170</u> |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | 1,947 | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | 4,500 | - |
| Transfers out | - | - | (176,035) | - | - | (750,000) | - |
| Total other financing sources (uses) | <u>1,947</u> | <u>-</u> | <u>(176,035)</u> | <u>-</u> | <u>-</u> | <u>(745,500)</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>2,772,681</u> | <u>1,404,195</u> | <u>(637,185)</u> | <u>10,380</u> | <u>(589,678)</u> | <u>(645,475)</u> | <u>260,170</u> |
| Cash and investments - ending | <u>\$ 3,413,131</u> | <u>\$ 3,144,888</u> | <u>\$ 3,824,993</u> | <u>\$ 855,471</u> | <u>\$ 2,837,215</u> | <u>\$ 2,415,683</u> | <u>\$ 893,693</u> |

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

| | Rainy Day | Retirement/ Severance Bond | Construction | School Lunch | Textbook Rental | Self- Insurance | Levy Excess |
|---|--------------|----------------------------------|--------------|-----------------|--------------------|--------------------|----------------|
| Cash and investments - beginning | \$ 4,275,508 | \$ 1,127,183 | \$ 110,654 | \$ 440,924 | \$ 591,945 | \$ 4,515,497 | \$ - |
| Receipts: | | | | | | | |
| Local sources | - | 901 | - | 1,508,648 | 561,476 | 6,271,324 | - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | - | - | 33,903 | 122,411 | - | - |
| Federal sources | - | - | - | 966,705 | - | - | - |
| Other | - | - | - | 75 | 675 | - | - |
| Total receipts | - | 901 | - | 2,509,331 | 684,562 | 6,271,324 | - |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | 121,125 | - | - | 2,168 | - | - |
| Support services | - | 153,790 | - | - | 456,565 | 34,953 | - |
| Noninstructional services | - | - | - | 2,477,448 | - | - | - |
| Facilities acquisition and construction | 155,000 | - | 110,654 | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | 7,251,606 | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | 155,000 | 274,915 | 110,654 | 2,477,448 | 458,733 | 7,286,559 | - |
| Excess (deficiency) of receipts over disbursements | (155,000) | (274,014) | (110,654) | 31,883 | 225,829 | (1,015,235) | - |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - |
| Transfers in | 750,000 | - | - | - | 176,035 | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 750,000 | - | - | - | 176,035 | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 595,000 | (274,014) | (110,654) | 31,883 | 401,864 | (1,015,235) | - |
| Cash and investments - ending | \$ 4,870,508 | \$ 853,169 | \$ - | \$ 472,807 | \$ 993,809 | \$ 3,500,262 | \$ - |

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

| | Alternative Education | Early Intervention Grant | Guidance Grant | Extra- Curricular Activities | Scholarships and Awards | BP Grant | Miscellaneous Programs |
|---|--------------------------|--------------------------------|-------------------|------------------------------------|-------------------------------|-------------|---------------------------|
| Cash and investments - beginning | \$ 85,204 | \$ 400 | \$ 334 | \$ 21,584 | \$ 6,049 | \$ 38 | \$ (15,585) |
| Receipts: | | | | | | | |
| Local sources | - | - | - | 27,678 | - | - | 93,735 |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | 9,812 | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Total receipts | <u>9,812</u> | <u>-</u> | <u>-</u> | <u>27,678</u> | <u>-</u> | <u>-</u> | <u>93,735</u> |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 19,322 | - | - | 27,869 | - | 38 | 85,851 |
| Support services | - | 400 | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | <u>19,322</u> | <u>400</u> | <u>-</u> | <u>27,869</u> | <u>-</u> | <u>38</u> | <u>85,851</u> |
| Excess (deficiency) of receipts over disbursements | <u>(9,510)</u> | <u>(400)</u> | <u>-</u> | <u>(191)</u> | <u>-</u> | <u>(38)</u> | <u>7,884</u> |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | (4,500) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4,500)</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(9,510)</u> | <u>(400)</u> | <u>-</u> | <u>(191)</u> | <u>-</u> | <u>(38)</u> | <u>3,384</u> |
| Cash and investments - ending | <u>\$ 75,694</u> | <u>\$ -</u> | <u>\$ 334</u> | <u>\$ 21,393</u> | <u>\$ 6,049</u> | <u>\$ -</u> | <u>\$ (12,201)</u> |

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

| | DEF CHS Media Center | Indiana Next 2002 - 2003 | Indiana Next 2001 - 2002 | NSTA Grant | Friends of Duneland | Local Donation/ Grant | Donations |
|---|----------------------------|--------------------------------|--------------------------------|---------------|------------------------|-----------------------------|-----------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ - | \$ 2,500 | \$ - | \$ - |
| Receipts: | | | | | | | |
| Local sources | - | - | - | - | - | 275 | - |
| Intermediate sources | - | - | - | - | - | - | 32,541 |
| State sources | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Total receipts | - | - | - | - | - | 275 | 32,541 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 987 | - | - | - | - | - | 10,011 |
| Support services | - | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | 275 | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | 987 | - | - | - | - | 275 | 10,011 |
| Excess (deficiency) of receipts over disbursements | (987) | - | - | - | - | - | 22,530 |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (987) | - | - | - | - | - | 22,530 |
| Cash and investments - ending | \$ (987) | \$ - | \$ - | \$ - | \$ 2,500 | \$ - | \$ 22,530 |

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

| | Donations - CHS | Roof Settlement | High Ability Grant | Non-English Speaking Programs P.L. 273-1999 | School Technology | Intelenet Refund | Title I - Grants To LEAs |
|---|--------------------|--------------------|--------------------------|--|----------------------|---------------------|-----------------------------|
| Cash and investments - beginning | \$ - | \$ 637,105 | \$ - | \$ (869) | \$ 8,234 | \$ - | \$ (146,308) |
| Receipts: | | | | | | | |
| Local sources | - | - | - | - | 4,680 | - | - |
| Intermediate sources | 5,000 | - | - | - | - | - | - |
| State sources | - | - | 53,299 | 6,076 | 8,837 | - | - |
| Federal sources | - | - | - | - | - | - | 545,723 |
| Other | - | - | - | - | - | - | - |
| Total receipts | <u>5,000</u> | <u>-</u> | <u>53,299</u> | <u>6,076</u> | <u>13,517</u> | <u>-</u> | <u>545,723</u> |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | - | 39,682 | 3,565 | - | - | 414,643 |
| Support services | - | - | - | - | 20,056 | - | 27,141 |
| Noninstructional services | - | - | - | - | - | - | 4,392 |
| Facilities acquisition and construction | - | 19,290 | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | <u>-</u> | <u>19,290</u> | <u>39,682</u> | <u>3,565</u> | <u>20,056</u> | <u>-</u> | <u>446,176</u> |
| Excess (deficiency) of receipts over disbursements | <u>5,000</u> | <u>(19,290)</u> | <u>13,617</u> | <u>2,511</u> | <u>(6,539)</u> | <u>-</u> | <u>99,547</u> |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>5,000</u> | <u>(19,290)</u> | <u>13,617</u> | <u>2,511</u> | <u>(6,539)</u> | <u>-</u> | <u>99,547</u> |
| Cash and investments - ending | <u>\$ 5,000</u> | <u>\$ 617,815</u> | <u>\$ 13,617</u> | <u>\$ 1,642</u> | <u>\$ 1,695</u> | <u>\$ -</u> | <u>\$ (46,761)</u> |

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

| | Innovative Education Program Strategies Title V (Part A) | Title VI | Serve America | Anti Drug Abuse 2010 | Title II - Dwight D. Eisenhower - Science and Math Technology Grants | 2010 General Obligation Refund | Eisenhower Title II |
|---|---|----------|------------------|-------------------------|---|--------------------------------------|------------------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 823 | \$ - |
| Receipts: | | | | | | | |
| Local sources | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Total receipts | - | - | - | - | - | - | - |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | - | - | - | - | - | - |
| Support services | - | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts over disbursements | - | - | - | - | - | - | - |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | - | - | - | - | - |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 823 | \$ - |

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

| | Improving Teaching Quality, No Child Left, Title II, Part A | Title IIA - eLearning | Title III - Language Instruction | Title I - Grants To LEAs ARRA | Payroll Clearing | Education Jobs | Totals |
|---|--|--------------------------|--|-------------------------------------|---------------------|-------------------|----------------------|
| Cash and investments - beginning | \$ 209 | \$ - | \$ - | \$ - | \$ 481,617 | \$ - | \$ 26,953,032 |
| Receipts: | | | | | | | |
| Local sources | - | - | - | - | - | - | 37,414,102 |
| Intermediate sources | - | - | - | - | - | - | 37,541 |
| State sources | - | - | - | - | - | - | 34,856,811 |
| Federal sources | 192,058 | 2,740 | - | - | - | - | 1,707,226 |
| Other | - | - | - | - | 8,290,046 | - | 8,524,552 |
| Total receipts | <u>192,058</u> | <u>2,740</u> | <u>-</u> | <u>-</u> | <u>8,290,046</u> | <u>-</u> | <u>82,540,232</u> |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 207,443 | - | 2,989 | - | - | - | 25,593,968 |
| Support services | - | 2,740 | - | - | - | - | 20,473,605 |
| Noninstructional services | - | - | - | - | - | - | 3,034,341 |
| Facilities acquisition and construction | - | - | - | - | - | - | 5,754,162 |
| Debt services | - | - | - | - | - | - | 9,849,259 |
| Nonprogrammed charges | - | - | - | - | - | - | 7,251,606 |
| Interfund loans | - | - | - | - | 8,416,939 | - | 8,416,939 |
| Total disbursements | <u>207,443</u> | <u>2,740</u> | <u>2,989</u> | <u>-</u> | <u>8,416,939</u> | <u>-</u> | <u>80,373,880</u> |
| Excess (deficiency) of receipts over disbursements | <u>(15,385)</u> | <u>-</u> | <u>(2,989)</u> | <u>-</u> | <u>(126,893)</u> | <u>-</u> | <u>2,166,352</u> |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | 1,947 |
| Transfers in | - | - | - | - | - | - | 930,535 |
| Transfers out | - | - | - | - | - | - | (930,535) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,947</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(15,385)</u> | <u>-</u> | <u>(2,989)</u> | <u>-</u> | <u>(126,893)</u> | <u>-</u> | <u>2,168,299</u> |
| Cash and investments - ending | <u>\$ (15,176)</u> | <u>\$ -</u> | <u>\$ (2,989)</u> | <u>\$ -</u> | <u>\$ 354,724</u> | <u>\$ -</u> | <u>\$ 29,121,331</u> |

DUNELAND SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

| <u>Government or Enterprise</u> | <u>Accounts Payable</u> | <u>Accounts Receivable</u> |
|---------------------------------|-------------------------|----------------------------|
| Governmental activities | <u>\$ 3,813,046</u> | <u>\$ 78,144</u> |

DUNELAND SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2014

| Lessor | Purpose | Annual Lease Payment | Lease Beginning Date | Lease Ending Date |
|--------------------------------------|----------------------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities: | | | | |
| Duneland School Building Corporation | First Mortgage Bonds Series 2009 | \$ 6,196,238 | 2/10/2009 | 8/1/2019 |
| Duneland School Building Corporation | First Mortgage Bonds Series 2001 | ** | 2/1/2002 | 2/1/2022 |
| Total of annual lease payments | | <u>\$ 6,196,238</u> | | |

| Type | Description of Debt Purpose | Ending Principal Balance | Principal and Interest Due Within One Year |
|--------------------------|---|--------------------------------|---|
| Governmental activities: | | | |
| General obligation bonds | Liberty Elementary School Addition 2009 | \$ 3,495,000 | \$ 1,052,369 |
| General obligation bonds | Pension/Severance Bonds 2006 | <u>5,640,000</u> | <u>1,598,546</u> |
| Totals | | <u>\$ 9,135,000</u> | <u>\$ 2,650,915</u> |

** No payment due until 2/1/2020.

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE DUNELAND SCHOOL CORPORATION, PORTER COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in items 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, and 2014-010 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs, Eligibility, Equipment and Real Property Management, Program Income, Reporting, and Special Tests and Provisions - Paid Lunch Equity that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2012 to June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2012 to June 30, 2014.

Report on Internal Control Over Compliance

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

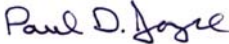
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002, 2014-003, 2014-004, 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, 2014-010, and 2014-2011 to be material weaknesses.

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

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

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


Paul D. Joyce, CPA
State Examiner

October 14, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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

| Federal Grantor Agency Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended 06-30-13 | Total Federal Awards Expended 06-30-14 |
|---|-------------------------------------|---------------------------|--|---|---|
| <u>Department of Agriculture</u> | | | | | |
| Child Nutrition Cluster | | | | | |
| School Breakfast Program | Indiana Department of Education | 10.553 | FY 2012-2014 | \$ 154,096 | \$ 176,402 |
| National School Lunch Program | Indiana Department of Education | 10.555 | FY 2012-2014 | 911,378 | 903,148 |
| Total - Department of Agriculture | | | | <u>1,065,474</u> | <u>1,079,550</u> |
| <u>Department of Education</u> | | | | | |
| Title I, Part A Cluster | | | | | |
| Title I Grants to Local Educational Agencies | | | | | |
| Title I 2011-2012 | Indiana Department of Education | 84.010 | 12-6470 | 108,321 | - |
| Title I 2012-2013 | | 84.010 | 13-6470 | 253,071 | 210,018 |
| Title I 2013-2014 | | 84.010 | 14-6470 | - | 335,705 |
| Total - Title I | | | | <u>361,392</u> | <u>545,723</u> |
| ARRA Title I Grants to Local Educational Agencies, Recovery Act | Indiana Department of Education | 84.389 | 12-6470 | 14,028 | - |
| Total - Title I, Part A Cluster | | | | <u>375,420</u> | <u>545,723</u> |
| Special Education Cluster | | | | | |
| Special Education_Grants to States | | | | | |
| FY 11 | Indiana Department of Education | 84.027 | 14211-050-PN01 | 12,418 | - |
| FY 12 | | 84.027 | 14212-050-PN01 | 275,987 | 8,458 |
| FY 13 | | 84.027 | 14213-050-PN01 | 1,015,119 | 269,563 |
| FY 14 | | 84.027 | 14214-050-PN01 | - | 932,059 |
| 5250 TA Grant | | 84.027 | 99914-050-TA01 | - | 7,036 |
| Total - Special Education_Grants to States | | | | <u>1,303,524</u> | <u>1,217,116</u> |
| Special Education_Preschool Grants | | | | | |
| FY 12 | Indiana Department of Education | 84.173 | 45712-050-PN01 | 514 | - |
| FY 13 | | 84.173 | 45713-050-PN01 | 34,503 | - |
| FY 14 | | 84.173 | 45714-050-PN01 | - | 31,666 |
| Total - Special Education_Preschool Grants | | | | <u>35,017</u> | <u>31,666</u> |
| Total - Special Education Cluster | | | | <u>1,338,541</u> | <u>1,248,782</u> |

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

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

| Federal Grantor Agency Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended 06-30-13 | Total Federal Awards Expended 06-30-14 |
|--|-------------------------------------|---------------------------|--|---|---|
| <u>Department of Education (continued)</u> | | | | | |
| Advanced Placement Program (Advanced Placement Test Fee, Advanced Placement Incentive Program Grants) | Indiana Department of Education | 84.330 | 2012 | 1,245 | - |
| English Language Acquisition State Grants | Indiana Department of Education | 84.365 | FY 2012-2014 | 21,111 | 41,866 |
| Improving Teacher Quality State Grants | Indiana Department of Education | | | | |
| Title II Part A 2010-2012 | | 84.367 | 10-6470 | 149,291 | - |
| Title II Part A 2011-2013 | | 84.367 | 11-6470 | 116,372 | - |
| Title II Part A 2012-2014 | | 84.367 | 12-6470 | - | 118,395 |
| Title II Part A 2013-2015 | | 84.367 | 13-6470 | - | 73,663 |
| Title II Part A State Activities | | 84.367 | 13-6470 | - | 2,740 |
| Total - Improving Teacher Quality State Grants | | | | 265,663 | 194,798 |
| Education Jobs Fund | Indiana Department of Education | 84.410 | FY 2012-2013 | 38,380 | - |
| Total - Department of Education | | | | 2,040,360 | 2,031,169 |
| <u>Department of Health and Human Services</u> | | | | | |
| Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | Indiana Department of Education | 93.938 | FY 2012-2013 | 400 | - |
| Total - Department of Health and Human Services | | | | 400 | - |
| Total federal awards expended | | | | <u>\$ 3,106,234</u> | <u>\$ 3,110,719</u> |

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

DUNELAND SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

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

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2013 and 2014:

| Program Title | Federal CFDA Number | 2013 | 2014 |
|---|---------------------------|-----------|-----------|
| English Language Acquisition State Grants | 84.365 | \$ 21,111 | \$ 41,866 |
| Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | 93.938 | 400 | - |

Note 3. Noncash Assistance

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

| Program Title | Federal CFDA Number | 2013 | 2014 |
|-------------------------------|---------------------------|-------------------|-------------------|
| National School Lunch Program | 10.555 | <u>\$ 160,640</u> | <u>\$ 112,845</u> |

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

| | |
|--|---|
| Internal control over major programs: | |
| Material weaknesses identified? | yes |
| Significant deficiencies identified? | none reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified for all major programs except the Child Nutrition Cluster which was Qualified. |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | yes |

Identification of Major Programs:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|---|
| 84.367 | Child Nutrition Cluster Title I, Part A Cluster Improving Teacher Quality State Grants Special Education Cluster |

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

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

Section II - Financial Statement Findings

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, payroll disbursements, and the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

The Deputy Treasurer is responsible for issuing receipts, preparing the deposit slip, and taking the deposit to the bank. The Payroll Clerk is responsible for preparing payroll and remitting payroll amounts to the depository. The Treasurer/Chief Financial Officer is responsible for preparing the SEFA. There is no segregation of duties over these activities such as an oversight, review, or approval process.

2. Monitoring of Controls: An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.
3. Controls Over Payroll Withholdings: The School Corporation did not establish proper controls over payroll withholdings in the Payroll Clearing fund. Controls were not in place to ensure that payroll withholdings were recorded properly and paid to vendors in a timely manner.

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

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - INTERNAL CONTROLS OVER TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers: 12-6470, 13-6470, 14-6470
Pass-Through Entity: Indiana Department of Education

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation has not established an effective internal control system, which would include segregation of duties such as an oversight or approval process, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Period of Availability, Reporting, and Special Tests and Provisions - Comparability compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability were in compliance with program requirements. One employee was solely responsible for preparing and distributing payroll, the majority of the program expenditures, and for ensuring that only Title I employees were paid from the grant and paid within the available period. An oversight, review, or approval process has not been established.

Cash Management and Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that costs were paid for prior to reimbursement being requested and requests for reimbursement or required reports were accurately prepared. One person was responsible for preparing and submitting all requests and reports. An oversight, review, or approval process has not been established.

Eligibility

The School Corporation has not designed or implemented adequate policies or procedures to ensure that all students eligible were receiving Title I services. An oversight, review, or approval process has not been established.

Special Tests and Provisions - Comparability

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the comparability report, which is a required report, was accurately prepared. One person was responsible for preparing and submitting the report. An oversight, review, or approval process has not been established.

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

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect on the program.

FINDING 2014-003 - INTERNAL CONTROLS OVER IMPROVING TEACHER QUALITY STATE GRANTS

Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Numbers: 10-6470, 11-6470, 12-6470, 13-6470
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties such as an oversight or approval process, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, and Reporting compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability were in compliance with program requirements. One employee was solely responsible for preparing and distributing payroll, the majority of the program expenditures, and for ensuring that only the proper employees were paid from the grant and paid within the available period. An oversight, review, or approval process has not been established.

Cash Management and Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that costs were paid for before reimbursement was requested and requests for reimbursement or required reports were accurately prepared. One person was solely responsible for preparing and submitting all requests and reports. An oversight, review, or approval process has not been established.

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

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

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect on the program.

FINDING 2014-004 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management, Procurement and Suspension and Debarment, and Special Tests and Provisions - Verification of Free and Reduced Price Meal Applications compliance requirements that have a direct and material effect on the programs. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Cash Management

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

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Procurement and Suspension and Debarment

The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with Procurement and Suspension and Debarment requirements. The School Corporation utilized a third-party for food service bids. The third-party administered the bidding process as well as verified that the vendors were not suspended or debarred and made recommendations to the School Corporation for the winning bid. However, there was no local School Corporation approval of the bids and no oversight of the verification that vendors were not suspended or debarred from participating in federal programs.

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

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

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

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

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

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

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect on the programs.

FINDING 2014-005 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
Pass-Through Entity: Indiana Department of Education

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Internal Controls

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

The School Corporation has not designed or implemented adequate policies or procedures to ensure that payroll disbursements are for only food service operating and administrative costs. There are no controls to ensure that proper documentation is maintained when an employee works on both a federal and non-federal program.

The School Corporation also has not designed or implemented adequate policies or procedures to ensure that all accounts payable vouchers are supported by itemized invoices from the vendors. An oversight, review, or approval process has not been established to ensure that supporting documentation is in agreement with the vouchers submitted for payment.

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

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

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

Compliance

The School Corporation did not comply with Allowable Costs/Cost Principles requirements regarding payment of administrative salaries from the School Lunch fund which receives federal funding from the School Breakfast and National School Lunch Programs. All transactions related to the food service program are recorded in the School Lunch fund. This includes, but is not limited to, salaries and benefits, food purchases, supplies, and all revenue generated by the food service program.

Wages of food service employees were paid from the School Lunch fund. In 2012-2013 and 2013-2014, a percentage of the salaries of three administrative corporation employees were also paid from the School Lunch fund without the proper documentation. These administrative employees did not maintain personnel activity reports to support the distribution of their salaries to the School Lunch fund. The salaries charged to the federal programs without proper supporting documentation totaled \$39,583 and are considered questioned costs.

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-87, Attachment B, Section 8, Compensation for personal services, states in part:

"h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . .

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

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity . . ."

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

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Allowable Costs/Cost Principles. Additionally, we recommended that the School Corporation comply with Allowable Costs/Cost Principles requirements.

FINDING 2014-006 - ELIGIBILITY

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
Pass-Through Entity: Indiana Department of Education

Internal Controls

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

The School Corporation has not designed or implemented adequate policies and procedures to ensure that eligibility for free and reduced price meals is accurately determined. Applications were not subjected to review prior to the notification of eligibility. An oversight, review, or approval process has not been established. In addition, controls were not established to ensure that eligibility documentation was retained for audit.

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

Compliance

The Food Service Office is responsible for notifying the household of their children's eligibility for benefits to which they are entitled. The documentation for the 2012-2013 fiscal year was not available for audit. The Food Service Department implemented new computer software to maintain their food service program records. The history for the 2012-2013 from the previous software was not retained.

7 CFR 245.6(c)(6) states:

"(6) *Notice of approval-Income applications.* The local educational agency must notify the household of the children's eligibility and provide the eligible children the benefits to which they are entitled within 10 operating days of receiving the application from the household.

(ii) *Direct Certification.* Households approved for benefits based on information provided by the appropriate State or local agency responsible for the administration of the SNAP, FDPIR or TANF must be notified, in writing, that their children are eligible for free meals or free milk, that no application for free and reduced price school meals or free milk is required. The notice of eligibility must also inform the household that the parent or guardian must notify the local educational agency if they do not want their children to receive free benefits. However, when the parent or guardian transmits a notice of eligibility provided by the SNAP, FDPIR or TANF office, the local educational agency is not required to provide a separate notice of eligibility. The local educational agency must notify, in writing, households with children who are approved on the basis of documentation that they are *Categorically eligible*, as defined in §245.2, that their children are eligible for free meals or free milk, and that no application is required."

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana School Corporations, Chapter 9)

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Eligibility. Additionally, we recommended that the School Corporation comply with Eligibility requirements.

FINDING 2014-007 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
Pass-Through Entity: Indiana Department of Education

Internal Controls

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

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the Food Service Department's expenditures for equipment and building improvements are properly accounted for in accordance with Equipment and Real Property Management requirements. There are no controls to ensure that periodic inventories are taken or that they are accurate when taken. In addition, there are no controls to ensure that the inventory records contain the required information for purchases made with federal funds.

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

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

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

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Compliance

The Food Service Department requests an annual equipment inventory from the individual schools; however, they do not ensure that inventories are complete or accurate or that they are submitted by each school building. The equipment and building improvements paid with federal program funds for the 2012-2013 and 2013-2014 school years were not included in the inventory presented for audit. The purchases for this time period represent 9 percent of the federal grant expenditures.

7 CFR 3016.32 states in part:

"(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation. Failure to maintain detailed and accurate equipment and property records, and to reconcile the physical inventory with the records could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Equipment and Real Property Management. Additionally, we recommended that School Corporation comply with the compliance requirements for Equipment and Real Property Management.

FINDING 2014-008 - PROGRAM INCOME

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
Pass-Through Entity: Indiana Department of Education

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Internal Controls

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

The School Corporation has not designed or implemented adequate policies or procedures to ensure that program income was properly recorded in the financial records. An oversight, review, or approval process has not been established.

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

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

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

Compliance

The School Corporation did not comply with requirements for accounting for program income generated from the operation of the food service program. All monthly receipts from sales, as well as prepayments, were recorded directly in the School Lunch fund; prepayments were not recorded in a Prepaid Food fund.

7 CFR 210.14(a) states in part: "The School Food Authority is required to account for all revenue and expenditures of its non-profit school food service in accordance with State requirements."

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

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

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Program Income. Additionally, we recommended that School Corporation's management comply with the applicable Program Income requirements.

FINDING 2014-009 - REPORTING

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
Pass-Through Entity: Indiana Department of Education

Internal Controls

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

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the Annual Financial Report (AFR) that is required to be submitted at the end of each fiscal year, was accurate. The reports were not subjected to review to ensure that they were accurate and in compliance with Reporting requirements. An oversight, review, or approval process has not been established.

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

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

Compliance

The School Corporation did not comply with the applicable Reporting requirements. The information reported in the AFR should reflect the financial transactions and position of the School Lunch fund and be supported by the accounting records. We could not determine if the information in the AFR was reflective of the financial transactions and position of the School Corporation because the School Corporation financial records do not reflect the breakdown of income as required in the AFR.

7 CFR 3016.20(b) states in part:

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

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

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

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

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Reporting. Additionally, we recommended that the School Corporation comply with the Reporting requirements.

FINDING 2014-010 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
Pass-Through Entity: Indiana Department of Education

Internal Controls

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Special Tests and Provisions - Paid Lunch Equity. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that paid lunch equity was properly determined and implemented. An oversight process has not been established.

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

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

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

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Compliance

The School Corporation did not comply with the Paid Lunch Equity requirements. The School Corporation is required to establish prices for paid lunches per the compliance requirements. If the average price of the School Corporation's paid lunch is less than the difference between the per meal federal reimbursement for paid lunches and free lunches received by the School Corporation in the previous year, new paid lunch prices are to be applied and implemented.

The Indiana Department of Education calculated the required weighted average price for school lunch of \$2.45 to be used by the School Corporation for the 2013-2014 school year. The School Corporation did not correctly apply or implement the calculations to the average paid lunch price for the 2013-2014 school year. The Elementary and Intermediate School paid lunch prices were \$2.25 and the Middle and High School paid lunch prices were \$2.45. This resulted in a weighted average price that was below the amount required.

7 CFR paragraph 210.14(e)(3) states in part:

"(3) *Average lunch price is lower than the reimbursement difference.* When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:

(i) 2 percent; and

(ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year.

(4) *Price Adjustments.* (i) *Maximum required price increase.* The maximum annual average price increase required under this paragraph shall not exceed ten cents."

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

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the compliance requirements of Special Tests and Provisions - Paid Lunch equity. Additionally, we recommended that the School Corporation comply with special tests and Provisions - Paid Lunch Equity requirements.

FINDING 2014-011 - SPECIAL EDUCATION CLUSTER

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers: 14211-050-PN01, 14212-050-PN01, 14213-050-PN01, 14214-050-PN01,
99914-050-TA01, 45712-050-PN01, 45713-050-PN01, 45714-050-PN01

Pass-Through Entity: Indiana Department of Education

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Level of Effort - Maintenance of Effort, Period of Availability, and Reporting. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Over 95 percent of the grant expenditures are for payroll and related benefit costs for Special Education personnel. One employee is responsible for the preparation, posting, and payment of the bi-weekly payroll and related benefit costs without evidence of a review process. Policies or procedures have not been designed or implemented to ensure required periodic certifications are prepared for all personnel paid solely from federal funds. In addition, for hourly employees, the timesheets that support the payment of payroll do not indicate the program or fund from which the employee is paid.

Cash Management and Reporting

The reimbursement requests were prepared and submitted solely by one individual. An oversight, review, or approval process had not been evidenced or established.

Level of Effort - Maintenance of Effort

The Maintenance of Effort calculation is determined and monitored solely by one individual. An oversight, review, or approval process has not been evidenced or established.

Period of Availability

The School Corporation historically expends the available funds in advance of the end of the period of availability. However, evidence of a review process was not noted to ensure that grant funds are disbursed within the period of availability and that expenditures are not made from expired grant funds.

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

OMB Circular A-133, Subpart C, section .300(b) states:

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

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

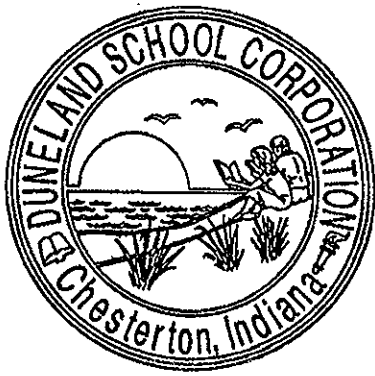
The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the programs could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the programs.

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AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.



Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Lynn A. Kwilas

Contact Phone Number: 219-983-3600

Description of Corrective Action Plan:

(1) Segregation of Duties

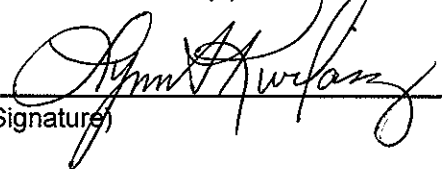
- **Deposits:** After the Deputy Treasurer completes the deposit ticket the Treasurer reviews the items, form of deposit, and total. The copy of the deposit ticket is initialed and dated by the Treasurer before the deposit is taken to the bank by the Deputy Treasurer. Deposit ticket copies are reconciled to bank statement and to receipts entered into the financial accounting system by the Deputy Treasurer and then reviewed by the Treasurer and signed to indicate review has been conducted as part of the monthly reconciliation of depository records with financial records.
- **P/R Remittance:** The Payroll Clerk balances the payroll claim by the internal balancing reports. Deputy Treasurer will review and indicate that review has occurred (by initialing & dating) a copy of the final payroll claim and the associated internal balancing reports/documentation. Payroll direct deposit system-generated report will be signed and dated by the Payroll Clerk and reviewed in conjunction with the bank confirmation report by the Deputy Treasurer (evidenced by signature/date). Payroll Claim is reconciled to the bank depository records and accounting system financial records as a part of the monthly reconciliation process evidenced by Treasurer signature/date.

(2) Monitoring of Controls

- The clearing account is reviewed monthly by the Deputy Treasurer as a part of the monthly financial accounting reconciliation process. P/R deduction items with mandatory deadlines such as federal taxes, FICA/Medicare, voluntary PERF/TRF and 403(b) deductions are cleared upon completion of the semi-monthly payroll processing. Other P/R deduction items that are recorded in the clearing accounts are paid (cleared) when such payments are due by receipt of a bill (e.g., insurances) or by statutory due date (i.e., state/county taxes). Many of those dates are not within the same month as the deduction. Thus, balances may exist at month-end but such are reviewed by the Deputy Treasurer and acknowledged as a part of the monthly financial reconciliation process evidenced by the signature/date of the Treasurer.

Anticipated Completion Date:

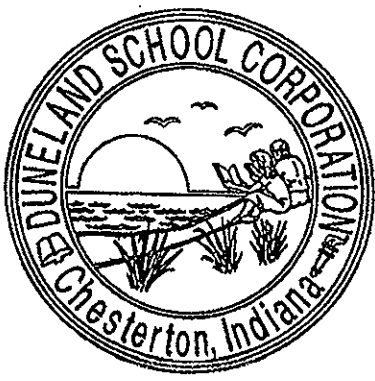
- (1) **Deposits:** This practice was actively put into action beginning July 2014.
- (1) **P/R Remittance:** Reconciliation process with appropriate review indicators was actively put into action beginning July 2014. Additional review processes will begin with the September 2015 payroll.
- (2) **Monitoring of Controls:** Reconciliation process with appropriate review indicators was actively put into action beginning July 2014.


(Signature)

TREASURER
(Title)

8/25/2015
(Date)

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Duneland School Corporation

ADMINISTRATION CENTER
601 West Morgan Avenue
Chesterton, Indiana 46304-2205
Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Persons Responsible for Corrective Action: Dr. Linda Rugg, Title I Coordinator
Lynn A. Kwilasz, Treasurer

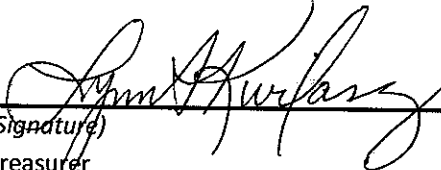
Contact Phone Number: Dr. Rugg: 219.983-3680
L. Kwilasz: 219-983-3600

Description of Corrective Action Plan:

- (1) Cash Management & Reporting: Reimbursement reports are completed on-line by the Treasurer. A hard-copy of the report and supporting detail reports from the financial accounting system are provided to the Superintendent for review and signature to evidence review.
- (2) Activities Allowed, Allowable Costs and Period of Availability: Title I certified staff are assigned at the beginning of the grant period and contracts are issued to each individual indicating that their pay is from the Title I grant. Contract data is used in the P/R system and is reviewed by the Deputy Treasurer and/or Treasurer. Title I teachers will be noted on the internal payroll balancing report that is used to verify, check and balance each payroll claim. Instructional Aides are approved by Board specifically as Title I Aides and by specified site. Treasurer and/or Deputy Treasurer provide corresponding Title I account numbers to the P/R Clerk for processing. Each Title I Aide completes a time sheet which is approved by the site principal. Following the posting of P/R to the financial accounting records, a detailed report of employees paid from the grant shall be provided to each Title I site principal for review and verification by initial and date on the report that such employees remain eligible for payment from grant funds. Reports will be returned to the Treasurer (who shall retain them as part of the financial grant file). Corrections will be made as directed by the site principal and Title I Director.
- (3) Eligibility: Selection criteria will be documented by the Title I Director and distributed to the site principals. Selection Lists will be compiled, signed and dated by the site principal and provided to the Title I Director. The Title I Director will randomly audit a sample of each list to verify that the selection criteria was met for students selected for audit review. Director will indicate by signature and date on each list, the results of the random sample audit.
- (4) Special Tests and Provisions for Comparability: The Title I Director prepares the report, reviews it and all supporting documentation with the Treasurer and Assistant Superintendent for Curriculum & Instruction, and submits the report on-line to the IDOE. Beginning with the 2014-15 comparability report, the Assistant Superintendent shall evidence the review of the report by signing and dating the hard-copy of the report.

Anticipated Completion Date:

- (1) This plan was implemented effective August 2014.
- (2) This plan will be implemented beginning with the 9/5/15 payroll.
- (3) This plan will be implemented with the 2015-16 Title I grant student selection.
- (4) This plan will be implemented in October 2015 with the completion of the 2014-15 comparability report.

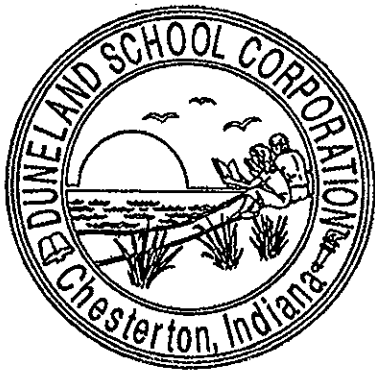


(Signature)
Treasurer

(Title)
August 25, 2015

(Date)

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Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Persons Responsible for Corrective Action: James Goetz, Assistant Superintendent
Lynn A. Kwilas, Treasurer

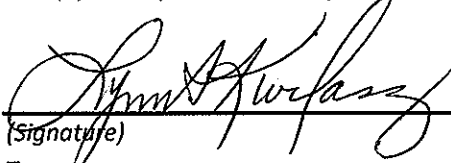
Contact Phone Number: J. Goetz: 219-983-3600
L. Kwilas: 219-983-3600

Description of Corrective Action Plan:

- (1) Cash Management & Reporting: Reimbursement reports are completed by the Treasurer. A copy of the report and supporting detail reports from the financial accounting system are provided to the Superintendent for review and signature to evidence review.
- (2) Activities Allowed, Allowable Costs and Period of Availability: Title II certified staff are assigned at the beginning of the grant period and contracts are issued to each individual indicating that their pay is from the Title II account. Contract data is used in the P/R system and is reviewed by the Deputy Treasurer and/or Treasurer. Title II teachers will be noted on the internal payroll balancing report that is used to verify, check and balance each payroll claim. Following the posting of P/R to the financial accounting records, a detailed report of employees paid from the grant shall be provided to the Assistant Superintendent for Curriculum & Instruction who oversees the program portion of the Title II grant, for review and verification by initial and date on the report that such employees remain eligible for payment from grant funds. Reports will be returned to the Treasurer (who shall retain them as part of the financial grant file). Corrections will be made as directed by the Assistant Superintendent.

Anticipated Completion Date:

- (1) This plan was implemented effective November 2014.
- (2) This plan will be implemented beginning with the 9/5/15 payroll.

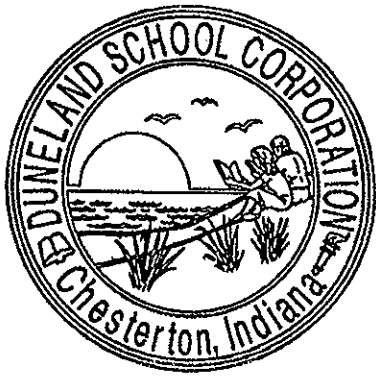


 (Signature)
 Treasurer

 (Title)
 August 25, 2015

 (Date)

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Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-004

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilas, Treasurer

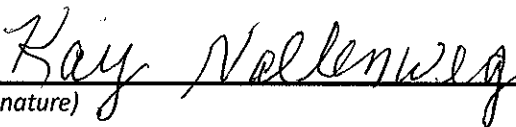
Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilas: 219-983-3600

Description of Corrective Action Plan:

1. Procurement, Suspension, and Debarment: As a member of the Northwest Indiana Education Service Center (NWIESC) the school corporation annually participates in a cooperative bid for bread and milk to be used in the School Lunch Program. Acceptance of the most responsive and responsible vendors from the NWIESC cooperative bids for bread and milk shall be recommended by the Food Service Director to the Superintendent for presentation to the Board of School Trustees for approval. The minutes of the Board meeting at which the recommendation is acted upon shall serve as documentation of the acceptance of these vendors' bids.
2. Special Tests and Provisions – Verification of Free & Reduced Price Applications: The Food Service Director completes the verification process in accordance with the requirements of the Free & Reduced Lunch Program. Upon completion of the verification process, the Director of Support Services will randomly sample the verification results to provide a reasonableness check of the overall verification process. This shall be evidenced by a signed and dated statement indicating that such review was conducted and listing those applications that were tested.
3. Cash Management: A spreadsheet that computes a 3-month expenditure rolling average amount will be created and used to compare with the month-end cash balance of the Food Service fund. These amounts and balances will be taken from the monthly financial accounting system expenditure and fund balance reports, copies of which will be retained with the monthly Food Service Department accounting and operational records. The Deputy Treasurer will complete the spreadsheet, the Treasurer and the Food Service Director will review and each will evidence such review by initial and date on the monthly report. The spreadsheet and all supporting documentation shall be retained in accordance with state and federal record retention guidelines.

Anticipated Completion Date:

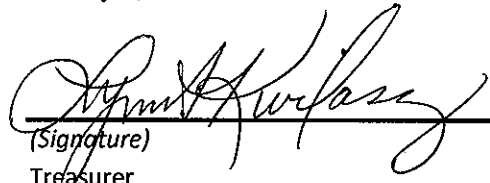
1. The 2015-16 vendor awards were approved by the Board of School Trustees in August 2015.
2. This plan will begin with the 2015-16 school year that begins in August 2015.
3. This plan will begin in fiscal year 2015-2016 which starts on July 1, 2015.



 (Signature)
 Food Service Director

 (Title)
 August 25, 2015

 (Date)

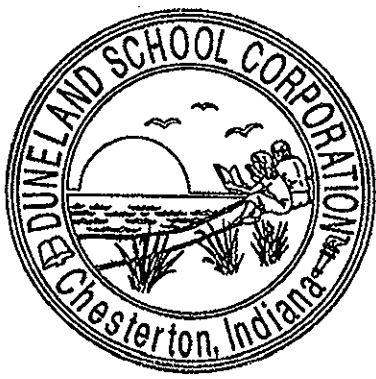


 (Signature)
 Treasurer

 (Title)
 August 25, 2015

 (Date)

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Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-005

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilas, Treasurer

Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilas: 219-983-3600

Description of Corrective Action Plan:

1. Allowable Costs – Non-Food Service Personnel-Related Costs: During the audit period a portion of various non-Food Service Department employees' salaries were charged to the Food Service Fund as a cost-sharing measure for corporation-wide operating costs such as payroll processing, accounts payable processing, accounting, and insurance benefit administration. However, no time and effort logs were maintained to substantiate the amounts allocated to the Food Service Department. That cost-sharing process has been discontinued effective July 1, 2015.
2. Allowable Costs – Food Service Personnel Costs: Food Service personnel are approved by the Board of School Trustees for employment in the Food Service Department. Payroll time sheets are verified by the individual school cafeteria managers and such authorization is evidenced by the manager's signature and date prior to payment. School cafeteria managers' timesheets as well as Food Service Department Coordinators' timesheets are verified and approved by the Food Service Director and evidenced by signature and date prior to pay. Following the posting of P/R to the financial records, a detailed report employees paid from the food service fund shall be provided to the Food Service Director and Coordinators for review and verification evidenced by initial and date that the reported employees were eligible for payment from the Food Service Fund. Verified reports will be retained in the Food Service Department in accordance with state and federal retention guidelines. Corrections will be made by the corporation accounting personnel as directed by the Food Service Department. Such direction shall be provided in a written format that is signed and dated by the Food Service Director or her designee.
3. Allowable Costs – Vendor Invoices: Vendor invoices and the supporting itemized detail reporting shall be maintained and included with all vouchers for payment. The Food Service Director, or her authorized designee, shall evidence that vouchers are supported by the correct documentation by signature on the Accounts Payable Voucher form. This has been the expected operating practice. Discussion with the Food Service Director to reinforce the significance of this operating practice has occurred.

Anticipated Completion Date:

1. Completed as of 6/30/15.
2. Will begin with the payroll of 9/5/15.
3. Completed as of 7/1/15.



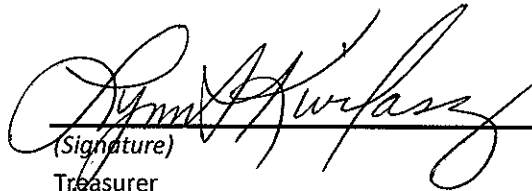
(Signature)

Food Service Director

(Title)

August 25, 2015

(Date)



(Signature)

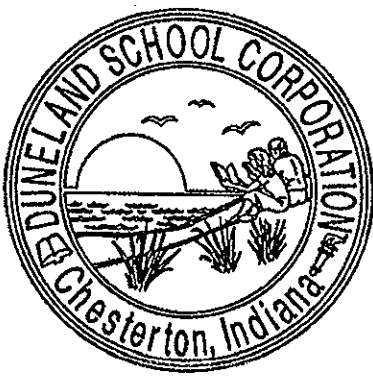
Treasurer

(Title)

August 25, 2015

(Date)

* An Equal Opportunity Employer *



Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-006

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilas, Treasurer

Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilas: 219-983-3600

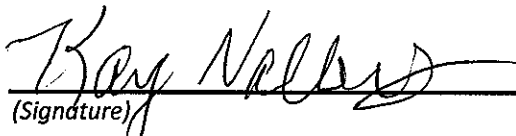
Description of Corrective Action Plan:

Documentation of the notification of household eligibility for Free & Reduced (F/R) Lunch will be retained in the Food Service Department as required by the F/R Lunch program and the federal and state record retention guidelines. The food service student information system provides an archived record of the eligibility notification letters and at end of the school year such.

Eligibility notifications will be randomly sampled by the Food Service Director in order to insure that eligibility guidelines are being met. Such review will be evidenced by initial and date.

Anticipated Completion Date:

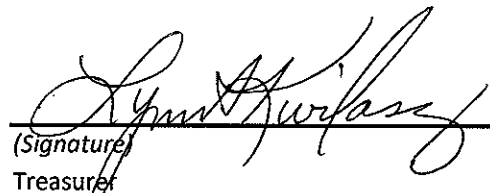
This plan shall be implemented for the 2015-2016 school year beginning August 2015.



(Signature)
Food Service Director

(Title)
August 25, 2015

(Date)

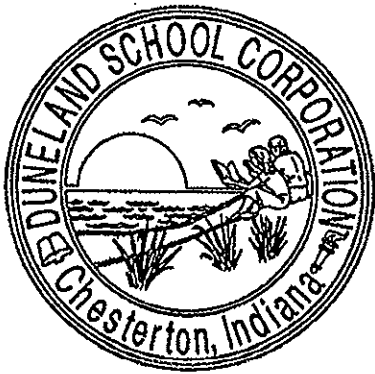


(Signature)
Treasurer

(Title)
August 25, 2015

(Date)

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Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-007

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilasz, Treasurer

Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilasz: 219-983-3600

Description of Corrective Action Plan:

The Food Service Department inventory records shall be updated and maintained in accordance with all statutory, regulatory and local Board of School Trustees' policies regarding equipment inventories. Annually, such inventory shall be physically verified by the Food Service Department management, reviewed by the Director of Support Services, and appropriate adjustments (additions/deletions/location transfers, etc.) shall be made and evidenced by signature and date of the Food Service Director and Director of Support Services on the annual, updated listing.

Anticipated Completion Date:

This plan shall be implemented during the 2015-16 school year with all initial updates and verification completed by July 2016.



(Signature)

Food Service Director

(Title)

August 25, 2015

(Date)



(Signature)

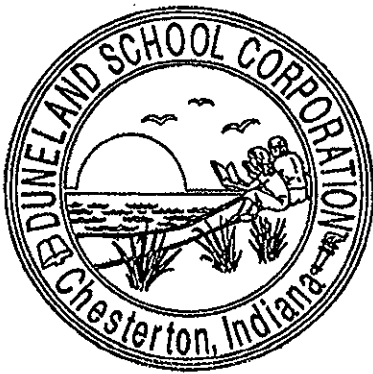
Treasurer

(Title)

August 25, 2015

(Date)

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Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

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CORRECTIVE ACTION PLAN

FINDING 2014-008

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilas, Treasurer

Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilas: 219-983-3600

Description of Corrective Action Plan:

A Pre-Paid Food clearing account has been established in the corporation financial accounting system. All lunch and breakfast program income will be deposited into this account as it is received. Monthly, income will be recognized, transferred, and recorded to the appropriate income classifications in the Food Service Fund 0800 in the corporation financial accounting system. Such income recognition by the corporation shall be evidenced by the appropriate Food Service Department Record of Daily Cash Received reports and any other supporting documentation that is prepared by the Food Service Coordinator on no less than a monthly basis. The balance of pre-paid food funds that remain in the clearing account at the end of each month shall be evidenced by the roster of student account balances as maintained in the Food Service Department student account system records. A month-end summary copy of this roster shall be provided to the Deputy Treasurer in include with the corporation monthly financial accounting reconciliation documentation. All documentation required to support the Food Service Department financial accounting and reporting shall be maintained as required by the Food Service Department in accordance with all state, federal and corporation retention requirements.

Anticipated Completion Date:

The Pre-Paid Food Service Clearing account was established in the corporation accounting records as of July 1, 2015. The appropriate documentation to support the beginning balance was provided to the Deputy Treasurer from the Food Service Department student accounting records. The remainder of this plan will be implemented beginning with the 2015-16 school year, August 2015.



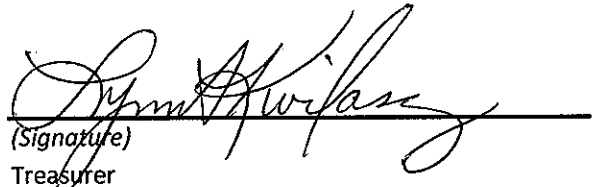
(Signature)

Food Service Director

(Title)

August 25, 2015

(Date)



(Signature)

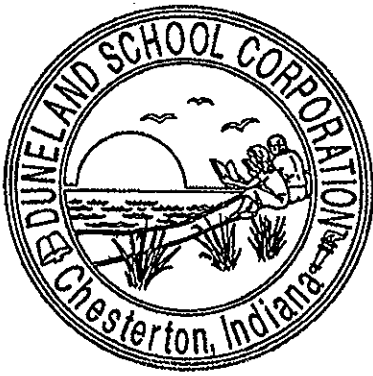
Treasurer

(Title)

August 25, 2015

(Date)

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ADMINISTRATION CENTER

601 West Morgan Avenue

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CORRECTIVE ACTION PLAN

FINDING 2014-009

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilasz, Treasurer

Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilasz: 219-983-3600

Description of Corrective Action Plan:

The Annual Financial Report (AFR) is completed by the Food Service Coordinator and reviewed by the Food Service Director. Review will be evidenced on the report by signature and date by the Food Service Director. The supporting documentation from both the food service accounting records and the corporation financial accounting system are used to insure that the report accurately reflects the fiscal year-end position of the Food Service Fund. All documentation used to complete the report will be organized, indexed, and retained by the Food Service Department with a copy of the report as required by state and federal record retention guidelines. Upon completion and review of the report within the Food Service Department, the Treasurer or Deputy Treasurer will review the report with its supporting documentation and evidence that review by signature and date on a copy of the AFR.

Anticipated Completion Date:

This action plan was implemented in July 2015 for the 2014-2015 AFR.



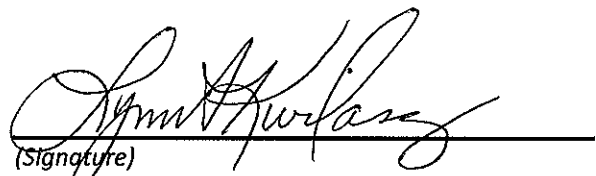
(Signature)

Food Service Director

(Title)

August 25, 2015

(Date)



(Signature)

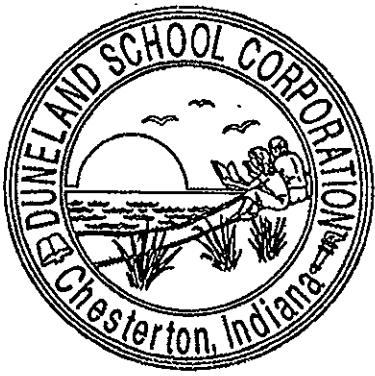
Treasurer

(Title)

August 25, 2015

(Date)

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Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

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CORRECTIVE ACTION PLAN

FINDING 2014-010

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilas, Treasurer

Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilas: 219-983-3600


Description of Corrective Action Plan:

The Food Service Director and Food Service Coordinator contacted the School and Community Nutrition (SCN) Finance Specialist at the Indiana Department of Education (IDOE) to review the USDA Paid-Lunch-Equity (PLE) Test and Provisions. The Finance Specialist provided assistance with completing the 2015-16 USDA PLE tool which calculates the PLE average lunch price needed to comply with the USDA PLE requirement. The results of the calculation indicated that the school corporation must increase paid lunch prices for 2015-16. Those results were reviewed by the Treasurer and the Director of Support Services who evidenced that review by signature and date. The price increase recommendation was submitted to the Superintendent for approval by the Board of School Trustees at the August 10, 2015 board meeting.

This procedure will be used in subsequent years: Food Service Coordinator will input the required information into the USDA PLE calculation program as supplied to the school corporation by the IDOE SCN. The results and the supporting documentation will be reviewed by the Treasurer and the Director of Support Services who will evidence that review by signature and date on the report. A recommendation for lunch price changes will be submitted to the Superintendent for action by the Board of School Trustees at a public board meeting prior to the start of the affected school year. Board minutes will reflect the result of that recommendation. A copy of the report and all supporting documentation will be retained by the Food Service Department in accordance with state and federal record retention guidelines.

Anticipated Completion Date:

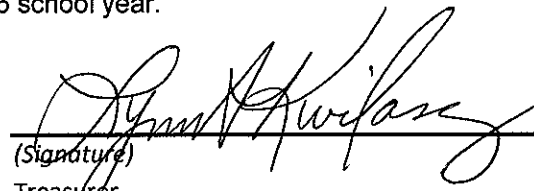
This plan was implemented in August 2015 for the 2015-2016 school year.



(Signature)
Food Service Director

(Title)
August 25, 2015

(Date)

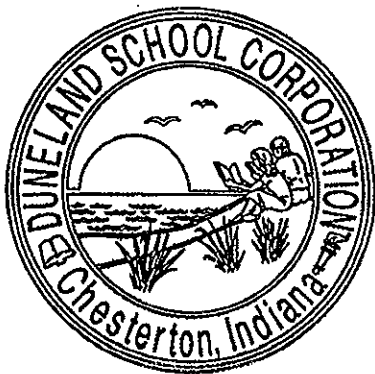


(Signature)
Treasurer

(Title)
August 25, 2015

(Date)

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ADMINISTRATION CENTER

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CORRECTIVE ACTION PLAN

FINDING 2014-011

Contact Persons Responsible for Corrective Action: Ms. Quinn Van Rys, Chief Financial Officer
Porter County Education Services (PCES) Cooperative

Lynn A. Kwilas, Treasurer

Contact Phone Number: Quinn Van Rys: 219-850-1911
Lynn Kwilas 219-983-3604

Description of Corrective Action Plan:

- (1) Cash Management & Reporting: Reimbursement reporting is an operational process that is completed by PCES personnel on behalf of the member school corporations. The school corporations rely upon PCES to appropriately complete the review process as a part of the operational support that PCES provides. Reimbursement reports are, effective with those filed in FY 2015, subject to a review process that includes evidence that such review has occurred.
- (2) Activities Allowed, Allowable Costs and Period of Availability: PCES hourly employees' time sheets will be matched with the payroll accounting code report that indicates which employees were paid from which accounts. The report and time sheets will be reviewed to insure correct payment of personnel and such review evidenced by the PCES CFO (initial & date). The certified teaching staff hired by the PCES board specifically for special education are for grant eligible positions. Certified staff members and the account codes from which they are paid are also included with the payroll account code report review process.
- (3) Period of Availability: Monthly, PCES personnel review the summary of receipts and expenditures for each grant fund. A comparison of YTD receipts, expenditures, and total approved budget amounts for each grant provides on-going monitoring to determine the amount of grant funds still available for expenditure. Once the budget amount has been expended, the grant fund accounts are closed (deactivated) so that additional expenditures from a subsequent period cannot be charged to the completed grant. Such review will be evidenced by initial and date of the PCES reviewer.
- (4) Level of Effort – Maintenance of Effort (MOE): PCES personnel calculate the member school corporations' MOE each fiscal year. PCES will complete the calculation, summarize the underlying data, and provide that information to each member district for review/acknowledgement and evidence of such by the member district. PCES will maintain this evidenced documentation for audit review.

Duneland School Corporation will request the PCES to provide these items for Duneland School personnel to review these processes for compliance. Duneland personnel will evidence such review by signature and date on the corresponding documents.

Anticipated Completion Date:

- (1) This plan was implemented effective July 2014 (FY 2015).
- (2) This plan was implemented beginning with the 9/18/15 payroll.
- (3) This plan was in place prior to the audit review but formal evidence began September 2015.
- (4) This plan will be implemented during the next calculation of MOE for state reporting.

(Signature)

Treasurer

(Title)

October 12, 2015

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OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.