

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SOUTH ADAMS SCHOOLS  
ADAMS COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
08/16/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rebecca Biberstein	01-01-14 to 12-31-17
Superintendent of Schools	Scott Litwiller	07-01-14 to 06-30-19
President of the School Board	Arlene Amstutz	01-01-14 to 12-31-17



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTH ADAMS SCHOOLS, ADAMS COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the South Adams Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

***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, 2014 to June 30, 2016, 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, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 20, 2017, 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

June 20, 2017



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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 SOUTH ADAMS SCHOOLS, ADAMS 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 South Adams Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated June 20, 2017, 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 a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001.

**South Adams Schools' 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

June 20, 2017

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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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SOUTH ADAMS SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-14	Receipts	Disbursements		06-30-15	Receipts	Disbursements		
General	\$ 1,828,925	\$ 8,281,087	\$ 8,775,550	\$ 101	\$ 1,334,563	\$ 8,161,293	\$ 8,089,520	\$ 24	\$ 1,406,360
Debt Service	976,047	1,810,657	1,722,000	-	1,064,704	1,810,450	1,721,000	-	1,154,154
Capital Projects	660,594	1,246,534	1,239,448	20,618	688,298	1,310,098	1,269,033	20,083	749,446
School Transportation	764,667	931,910	786,454	2,050	912,173	991,279	958,289	(396,788)	548,375
School Bus Replacement	334,742	183,622	-	-	518,364	194,197	93,220	-	619,341
Rainy Day	1,672,193	20,000	77,043	-	1,615,150	-	-	400,000	2,015,150
Post-Retirement/Severance Future Benefits	124,211	-	60,000	-	64,211	-	-	-	64,211
School Lunch	265,603	522,684	578,126	10,386	220,547	542,190	579,652	3,792	186,877
Textbook Rental	101,974	123,917	19,132	34	206,793	126,734	77,054	-	256,473
Levy Excess	-	696	-	-	696	-	-	(696)	-
Area 18 Vocational Education	2,102	-	-	-	2,102	-	-	-	2,102
Educational License Plates	-	19	-	-	19	38	-	-	-
Alternative Education	-	9,916	-	-	9,916	8,445	18,361	-	-
Gifts/Donations	2,046	-	-	-	2,046	1,574	20	-	3,600
Recycle	1,573	356	331	-	1,598	389	270	-	1,717
Gifts and Talented	1,327	-	-	-	1,327	-	1,327	-	-
2014-15 High Ability	-	29,854	28,000	-	1,854	-	1,854	-	-
2015-16 High Ability	-	-	-	-	-	30,585	30,585	-	-
Formative Assessment	-	-	-	-	-	11,939	11,939	-	-
Secured Schools Safety Grant	-	20,600	18,756	-	1,844	39,774	46,758	-	(5,140)
Recreational Activities	573	-	-	-	573	-	-	-	573
Non-English Speaking Programs	149	-	-	-	149	-	95	-	54
2014-15 NESP	-	8,164	6,709	-	1,455	-	1,455	-	-
2015-16 NESP	-	-	-	-	-	17,729	17,729	-	-
School Technology	1,485	4,713	4,878	-	1,320	6,564	7,884	-	-
Title I 2014-15	-	846,483	935,038	-	(88,555)	269,023	180,468	-	-
Title I 2015-16	-	-	-	-	-	860,170	951,310	-	(91,140)
Title I 2013-14	(84,567)	243,050	158,483	-	-	-	-	-	-
ECIA Title I Migrant	-	-	(690)	-	690	-	690	-	-
Regional Migrant 2013-14	(19,576)	133,377	113,801	-	-	122,851	151,338	-	(28,487)
Title I Migrant 2014-15	-	231,430	259,743	-	(28,313)	249,568	221,255	-	-
Title I Migrant 2012-13	-	7,035	7,035	-	-	-	-	-	-
Local Reading Improvement	1,449	-	-	-	1,449	-	1,449	-	-
Area Vocational Schools	-	16,732	16,732	-	-	19,496	19,496	-	-
Improving Teacher Quality, No Child Left, Title II, Part A	-	76,268	81,099	-	(4,831)	52,360	47,529	-	-
Title II, A 2013-14	(33,457)	66,593	33,136	-	-	-	-	-	-
Title II, A 2015-16	-	-	-	-	-	86,369	108,036	-	(21,667)
Rural Schools and Low Income Program - Pass Through State	-	-	-	-	-	19,624	26,149	-	(6,525)
Title VI, B Rural and Low Income	(20,145)	22,418	2,273	-	-	-	-	-	-
Rural and Low Income Grant	-	17,595	17,595	-	-	8,700	8,700	-	-
Title III - English Proficiency Migrant	(795)	2,914	2,119	-	-	2,417	2,417	-	-
Title III 2014-15	-	8,505	9,385	-	(880)	3,450	2,570	-	-
Title III 2015-16	-	-	-	-	-	7,004	7,377	-	(373)
Project Success - Tutoring	-	-	-	-	-	550	1,536	-	(986)
H1N1 Grant	107	-	105	-	2	-	2	-	-
Clearing	80,938	2,497,107	2,481,437	-	96,608	2,458,916	2,491,628	-	63,896
<b>Totals</b>	<b>\$ 6,662,165</b>	<b>\$ 17,364,236</b>	<b>\$ 17,433,718</b>	<b>\$ 33,189</b>	<b>\$ 6,625,872</b>	<b>\$ 17,413,757</b>	<b>\$ 17,148,033</b>	<b>\$ 26,415</b>	<b>\$ 6,918,011</b>

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

SOUTH ADAMS SCHOOLS  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

SOUTH ADAMS SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

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

*Instruction.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt service.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

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

*Sale of capital assets.* Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

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

SOUTH ADAMS SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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

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

SOUTH ADAMS SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

*B. Teachers' Retirement Fund*

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching

SOUTH ADAMS SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Negative Disbursement**

The financial statement contains a disbursement which appears as a negative entry. This is a result of correcting grant expenses from the wrong program year.

**Note 8. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of grant funds requiring expenditure before receiving funds, causing negative balances.

**Note 9. Holding Corporation**

The School Corporation has entered into a capital lease with South Adams 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 fiscal years ended June 30, 2015 and 2016, totaled \$1,722,000 and \$1,721,000, respectively.

SOUTH ADAMS SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 10. Subsequent Events**

The South Adams School Building Corporation issued Ad Valorem Property Tax First Mortgage Refunding and Improvement Bonds, Series 2016 in the amount of \$19,050,000 on August 24, 2016. The bond issuance will be used to refund the First Mortgage Bonds of 2008 and pay for improvements at the high school. The estimated cost of the high school renovation is \$1,705,755. Construction starts in May 2017 and is expected to be completed in August 2017.

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#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the 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 School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

SOUTH ADAMS SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post-Retirement/ Severance Future Benefits	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 1,828,925	\$ 976,047	\$ 660,594	\$ 764,667	\$ 334,742	\$ 1,672,193	\$ 124,211	\$ 265,603	\$ 101,974	\$ -
Receipts:										
Local sources	276,389	1,810,657	1,246,534	931,234	183,622	20,000	-	214,027	79,187	696
Intermediate sources	25	-	-	-	-	-	-	-	-	-
State sources	7,984,617	-	-	-	-	-	-	6,821	44,730	-
Federal sources	-	-	-	-	-	-	-	301,313	-	-
Other receipts	20,056	-	-	676	-	-	-	523	-	-
Total receipts	8,281,087	1,810,657	1,246,534	931,910	183,622	20,000	-	522,684	123,917	696
Disbursements:										
Instruction	5,656,508	-	-	-	-	-	60,000	-	-	-
Support services	2,915,753	-	531,202	776,618	-	77,043	-	18,585	19,132	-
Noninstructional services	203,289	-	-	-	-	-	-	559,541	-	-
Facilities acquisition and construction	-	-	708,246	9,836	-	-	-	-	-	-
Debt service	-	1,722,000	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	8,775,550	1,722,000	1,239,448	786,454	-	77,043	60,000	578,126	19,132	-
Excess (deficiency) of receipts over disbursements	(494,463)	88,657	7,086	145,456	183,622	(57,043)	(60,000)	(55,442)	104,785	696
Other financing sources (uses):										
Sale of capital assets	101	-	20,618	2,050	-	-	-	10,386	34	-
Total other financing sources (uses)	101	-	20,618	2,050	-	-	-	10,386	34	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(494,362)	88,657	27,704	147,506	183,622	(57,043)	(60,000)	(45,056)	104,819	696
Cash and investments - ending	\$ 1,334,563	\$ 1,064,704	\$ 688,298	\$ 912,173	\$ 518,364	\$ 1,615,150	\$ 64,211	\$ 220,547	\$ 206,793	\$ 696

SOUTH ADAMS SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Area 18 Vocational Education	Educational License Plates	Alternative Education	Gifts/ Donations	Recycle	Gifts and Talented	2014-15 High Ability	2015-16 High Ability	Formative Assessment	Secured Schools Safety Grant
Cash and investments - beginning	\$ 2,102	\$ -	\$ -	\$ 2,046	\$ 1,573	\$ 1,327	\$ -	\$ -	\$ -	\$ -
Receipts:										
Local sources	-	-	-	-	356	-	-	-	-	-
Intermediate sources	-	19	-	-	-	-	-	-	-	-
State sources	-	-	9,916	-	-	-	29,854	-	-	20,600
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	19	9,916	-	356	-	29,854	-	-	20,600
Disbursements:										
Instruction	-	-	-	-	331	-	28,000	-	-	-
Support services	-	-	-	-	-	-	-	-	-	13,625
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	5,131
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	331	-	28,000	-	-	18,756
Excess (deficiency) of receipts over disbursements	-	19	9,916	-	25	-	1,854	-	-	1,844
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	19	9,916	-	25	-	1,854	-	-	1,844
Cash and investments - ending	<u>\$ 2,102</u>	<u>\$ 19</u>	<u>\$ 9,916</u>	<u>\$ 2,046</u>	<u>\$ 1,598</u>	<u>\$ 1,327</u>	<u>\$ 1,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,844</u>

SOUTH ADAMS SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Recreational Activities	Non-English Speaking Programs	2014-15 NESP	2015-16 NESP	School Technology	Title I 2014-15	Title I 2015-16	Title I 2013-14	ECIA Title I Migrant
Cash and investments - beginning	\$ 573	\$ 149	\$ -	\$ -	\$ 1,485	\$ -	\$ -	\$ (84,567)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	8,164	-	4,713	-	-	-	-
Federal sources	-	-	-	-	-	846,483	-	243,050	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	8,164	-	4,713	846,483	-	243,050	-
Disbursements:									
Instruction	-	-	6,709	-	-	758,776	-	133,784	(690)
Support services	-	-	-	-	4,878	161,449	-	22,699	-
Noninstructional services	-	-	-	-	-	14,813	-	2,000	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	6,709	-	4,878	935,038	-	158,483	(690)
Excess (deficiency) of receipts over disbursements	-	-	1,455	-	(165)	(88,555)	-	84,567	690
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	1,455	-	(165)	(88,555)	-	84,567	690
Cash and investments - ending	\$ 573	\$ 149	\$ 1,455	\$ -	\$ 1,320	\$ (88,555)	\$ -	\$ -	\$ 690

SOUTH ADAMS SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Regional Migrant 2013-14	Title I Migrant 2014-15	Title I Migrant 2012-13	Local Reading Improvement	Area Vocational Schools	Improving Teacher Quality, No Child Left, Title II, Part A	Title II, A 2013-14	Title II, A 2015-16	Rural Schools and Low Income Program - Pass Through State
Cash and investments - beginning	\$ (19,576)	\$ -	\$ -	\$ 1,449	\$ -	\$ -	\$ (33,457)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	133,377	231,430	7,035	-	16,732	76,268	66,593	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	133,377	231,430	7,035	-	16,732	76,268	66,593	-	-
Disbursements:									
Instruction	55,744	64,856	7,035	-	16,732	23,935	22,620	-	-
Support services	54,457	194,887	-	-	-	57,164	10,516	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	3,600	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	113,801	259,743	7,035	-	16,732	81,099	33,136	-	-
Excess (deficiency) of receipts over disbursements	19,576	(28,313)	-	-	-	(4,831)	33,457	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	19,576	(28,313)	-	-	-	(4,831)	33,457	-	-
Cash and investments - ending	\$ -	\$ (28,313)	\$ -	\$ 1,449	\$ -	\$ (4,831)	\$ -	\$ -	\$ -

SOUTH ADAMS SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Title VI, B Rural and Low Income	Rural and Low Income Grant	Title III - English Proficiency Migrant	Title III 2014-15	Title III 2015-16	Project Success - Tutoring	H1N1 Grant	Clearing	Totals
Cash and investments - beginning	\$ (20,145)	\$ -	\$ (795)	\$ -	\$ -	\$ -	\$ 107	\$ 80,938	\$ 6,662,165
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,762,702
Intermediate sources	-	-	-	-	-	-	-	-	44
State sources	-	-	-	-	-	-	-	-	8,109,415
Federal sources	22,418	17,595	2,914	8,505	-	-	-	-	1,973,713
Other receipts	-	-	-	-	-	-	-	2,497,107	2,518,362
Total receipts	22,418	17,595	2,914	8,505	-	-	-	2,497,107	17,364,236
Disbursements:									
Instruction	-	-	1,356	9,385	-	-	-	-	6,845,081
Support services	2,273	17,595	763	-	-	-	-	-	4,878,639
Noninstructional services	-	-	-	-	-	-	-	-	779,643
Facilities acquisition and construction	-	-	-	-	-	-	-	-	726,813
Debt service	-	-	-	-	-	-	-	-	1,722,000
Nonprogrammed charges	-	-	-	-	-	-	105	2,481,437	2,481,542
Total disbursements	2,273	17,595	2,119	9,385	-	-	105	2,481,437	17,433,718
Excess (deficiency) of receipts over disbursements	20,145	-	795	(880)	-	-	(105)	15,670	(69,482)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	33,189
Total other financing sources (uses)	-	-	-	-	-	-	-	-	33,189
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	20,145	-	795	(880)	-	-	(105)	15,670	(36,293)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (880)	\$ -	\$ -	\$ 2	\$ 96,608	\$ 6,625,872

SOUTH ADAMS SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post-Retirement/Severance Future Benefits	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 1,334,563	\$ 1,064,704	\$ 688,298	\$ 912,173	\$ 518,364	\$ 1,615,150	\$ 64,211	\$ 220,547	\$ 206,793	\$ 696
Receipts:										
Local sources	230,701	1,810,450	1,310,098	987,586	194,197	-	-	223,230	80,185	-
Intermediate sources	26	-	-	-	-	-	-	-	-	-
State sources	7,923,799	-	-	-	-	-	-	6,615	46,469	-
Federal sources	-	-	-	-	-	-	-	307,713	-	-
Other receipts	6,767	-	-	3,693	-	-	-	4,632	80	-
Total receipts	8,161,293	1,810,450	1,310,098	991,279	194,197	-	-	542,190	126,734	-
Disbursements:										
Instruction	5,380,347	-	-	-	-	-	-	-	-	-
Support services	2,508,428	-	618,752	774,290	93,220	-	-	27,741	77,054	-
Noninstructional services	200,745	-	-	-	-	-	-	551,911	-	-
Facilities acquisition and construction	-	-	650,281	183,999	-	-	-	-	-	-
Debt service	-	1,721,000	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	8,089,520	1,721,000	1,269,033	958,289	93,220	-	-	579,652	77,054	-
Excess (deficiency) of receipts over disbursements	71,773	89,450	41,065	32,990	100,977	-	-	(37,462)	49,680	-
Other financing sources (uses):										
Sale of capital assets	24	-	20,083	2,516	-	-	-	3,792	-	-
Transfers in	-	-	-	696	-	400,000	-	-	-	-
Transfers out	-	-	-	(400,000)	-	-	-	-	-	(696)
Total other financing sources (uses)	24	-	20,083	(396,788)	-	400,000	-	3,792	-	(696)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	71,797	89,450	61,148	(363,798)	100,977	400,000	-	(33,670)	49,680	(696)
Cash and investments - ending	\$ 1,406,360	\$ 1,154,154	\$ 749,446	\$ 548,375	\$ 619,341	\$ 2,015,150	\$ 64,211	\$ 186,877	\$ 256,473	\$ -

SOUTH ADAMS SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Area 18 Vocational Education	Educational License Plates	Alternative Education	Gifts/ Donations	Recycle	Gifts and Talented	2014-15 High Ability	2015-16 High Ability	Formative Assessment	Secured Schools Safety Grant
Cash and investments - beginning	\$ 2,102	\$ 19	\$ 9,916	\$ 2,046	\$ 1,598	\$ 1,327	\$ 1,854	\$ -	\$ -	\$ 1,844
Receipts:										
Local sources	-	-	-	1,574	389	-	-	-	-	-
Intermediate sources	-	19	-	-	-	-	-	-	-	-
State sources	-	-	8,445	-	-	-	-	30,585	11,939	39,774
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	19	8,445	1,574	389	-	-	30,585	11,939	39,774
Disbursements:										
Instruction	-	-	18,361	-	270	-	1,254	30,585	-	-
Support services	-	-	-	20	-	1,327	600	-	11,939	46,209
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	549
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	38	-	-	-	-	-	-	-	-
Total disbursements	-	38	18,361	20	270	1,327	1,854	30,585	11,939	46,758
Excess (deficiency) of receipts over disbursements	-	(19)	(9,916)	1,554	119	(1,327)	(1,854)	-	-	(6,984)
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	-	(19)	(9,916)	1,554	119	(1,327)	(1,854)	-	-	(6,984)
Cash and investments - ending	\$ 2,102	\$ -	\$ -	\$ 3,600	\$ 1,717	\$ -	\$ -	\$ -	\$ -	\$ (5,140)

SOUTH ADAMS SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Recreational Activities	Non-English Speaking Programs	2014-15 NESP	2015-16 NESP	School Technology	Title I 2014-15	Title I 2015-16	Title I 2013-14	ECIA Title I Migrant
Cash and investments - beginning	\$ 573	\$ 149	\$ 1,455	\$ -	\$ 1,320	\$ (88,555)	\$ -	\$ -	\$ 690
Receipts:									
Local sources	-	-	-	-	-	-	469	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	17,729	6,564	-	-	-	-
Federal sources	-	-	-	-	-	269,023	859,701	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	17,729	6,564	269,023	860,170	-	-
Disbursements:									
Instruction	-	95	1,455	17,729	-	149,293	758,974	-	690
Support services	-	-	-	-	7,884	24,979	174,964	-	-
Noninstructional services	-	-	-	-	-	6,196	17,372	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	95	1,455	17,729	7,884	180,468	951,310	-	690
Excess (deficiency) of receipts over disbursements	-	(95)	(1,455)	-	(1,320)	88,555	(91,140)	-	(690)
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	-	(95)	(1,455)	-	(1,320)	88,555	(91,140)	-	(690)
Cash and investments - ending	\$ 573	\$ 54	\$ -	\$ -	\$ -	\$ -	\$ (91,140)	\$ -	\$ -

SOUTH ADAMS SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Regional Migrant 2013-14	Title I Migrant 2014-15	Title I Migrant 2012-13	Local Reading Improvement	Area Vocational Schools	Improving Teacher Quality, No Child Left, Title II, Part A	Title II, A 2013-14	Title II, A 2015-16	Rural Schools and Low Income Program - Pass Through State
Cash and investments - beginning	\$ -	\$ (28,313)	\$ -	\$ 1,449	\$ -	\$ (4,831)	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	122,851	249,568	-	-	19,496	52,360	-	86,369	19,624
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	122,851	249,568	-	-	19,496	52,360	-	86,369	19,624
Disbursements:									
Instruction	36,027	70,174	-	-	19,496	6,902	-	40,495	-
Support services	112,911	151,081	-	1,449	-	40,627	-	67,541	26,149
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	2,400	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	151,338	221,255	-	1,449	19,496	47,529	-	108,036	26,149
Excess (deficiency) of receipts over disbursements	(28,487)	28,313	-	(1,449)	-	4,831	-	(21,667)	(6,525)
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	(28,487)	28,313	-	(1,449)	-	4,831	-	(21,667)	(6,525)
Cash and investments - ending	\$ (28,487)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (21,667)	\$ (6,525)

SOUTH ADAMS SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Title VI, B Rural and Low Income	Rural and Low Income Grant	Title III - English Proficiency Migrant	Title III 2014-15	Title III 2015-16	Project Success - Tutoring	H1N1 Grant	Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (880)	\$ -	\$ -	\$ 2	\$ 96,608	\$ 6,625,872
Receipts:									
Local sources	-	-	-	-	-	550	-	-	4,839,429
Intermediate sources	-	-	-	-	-	-	-	-	45
State sources	-	-	-	-	-	-	-	-	8,091,919
Federal sources	-	8,700	2,417	3,450	7,004	-	-	-	2,008,276
Other receipts	-	-	-	-	-	-	-	2,458,916	2,474,088
Total receipts	-	8,700	2,417	3,450	7,004	550	-	2,458,916	17,413,757
Disbursements:									
Instruction	-	-	1,070	2,570	7,377	1,536	-	-	6,544,700
Support services	-	8,700	1,347	-	-	-	-	-	4,777,212
Noninstructional services	-	-	-	-	-	-	-	-	776,224
Facilities acquisition and construction	-	-	-	-	-	-	-	-	837,229
Debt service	-	-	-	-	-	-	-	-	1,721,000
Nonprogrammed charges	-	-	-	-	-	-	2	2,491,628	2,491,668
Total disbursements	-	8,700	2,417	2,570	7,377	1,536	2	2,491,628	17,148,033
Excess (deficiency) of receipts over disbursements	-	-	-	880	(373)	(986)	(2)	(32,712)	265,724
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	26,415
Transfers in	-	-	-	-	-	-	-	-	400,696
Transfers out	-	-	-	-	-	-	-	-	(400,696)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	26,415
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	880	(373)	(986)	(2)	(32,712)	292,139
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ (373)	\$ (986)	\$ -	\$ 63,896	\$ 6,918,011

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SOUTH ADAMS SCHOOLS  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2016

Government	Accounts Payable	Accounts Receivable
Governmental activities	<u>\$ 126,348</u>	<u>\$ -</u>

SOUTH ADAMS SCHOOLS  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
South Adams School Building Corporation	Elementary School Building	\$ 1,720,000	07/15/2008	12/31/2031
The Fifth Third Leasing Company	Energy Savings Contract	<u>519,602</u>	06/22/2007	01/15/2018
Total of annual lease payments		<u>\$ 2,239,602</u>		

SOUTH ADAMS SCHOOLS  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2016

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 957,880
Infrastructure	170,000
Buildings	26,794,180
Machinery, equipment, and vehicles	1,976,680
Books and other	<u>910,850</u>
Total capital assets	<u>\$ 30,809,590</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE SOUTH ADAMS SCHOOLS, ADAMS COUNTY, INDIANA

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

We have audited the South Adams Schools' (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, 2014 to June 30, 2016. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016.

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

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002 and 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

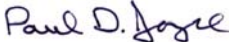
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003 to be a material weakness.

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

June 20, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

SOUTH ADAMS SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016

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	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 14-15	\$ -	\$ 37,668	\$ -	\$ -
			FY 15-16	-	-	-	40,736
				-	37,668	-	40,736
National School Lunch Program	Indiana Department of Education	10.555	FY 14-15	-	263,645	-	-
National School Lunch Program - Commodities			FY 15-16	-	-	-	266,977
				-	47,153	-	53,905
Total - National School Lunch Program				-	310,798	-	320,882
Total - Child Nutrition Cluster				-	348,466	-	361,618
Total - Department of Agriculture				-	348,466	-	361,618
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027	14213-001-PN01	-	60	-	-
			14214-001-PN01	-	82,444	-	125
			14215-001-PN01	-	172,443	-	108,147
			14216-001-PN01	-	-	-	153,396
			99914-001-TA01	-	2,037	-	53
Total - Special Education_Grants to States				-	256,984	-	261,721
Special Education_Preschool Grants	Indiana Department of Education	84.173	45714-001-PN01	-	1,806	-	-
			45715-001-PN01	-	8,590	-	3,618
			45716-001-PN01	-	-	-	10,593
Total - Special Education_Preschool Grants				-	10,396	-	14,211
Total - Special Education Cluster (IDEA)				-	267,380	-	275,932
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	14-0035	-	243,050	-	-
			15-0035	-	846,483	-	269,022
			16-0035	-	-	-	859,702
Total - Title I Grants to Local Educational Agencies				-	1,089,533	-	1,128,724

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

SOUTH ADAMS SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016  
(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	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Education (continued)</u>							
Migrant Education_State Grant Program	Indiana Department of Education	84.011					
			38212-012-PN01	-	7,035	-	-
			38213-012-PN01	-	144,328	-	4,783
			38214-008-PN01	-	231,430	-	249,568
			38215-003-PN01	-	-	-	118,068
Total - Migrant Education_State Grant Program				-	382,793	-	372,419
Career and Technical Education -- Basic Grants to States	Bluffton-Harrison Metropolitan School District	84.048					
			FY 14-15	-	16,732	-	-
			FY 15-16	-	-	-	19,496
Total - Career and Technical Education -- Basic Grants to States				-	16,732	-	19,496
Rural Education	Indiana Department of Education	84.358					
			FY12	-	22,418	-	-
			FY13	-	17,595	-	8,700
Total - Rural Education				-	40,013	-	8,700
English Language Acquisition State Grants	Indiana Department of Education	84.365					
			01114-097-PN01	-	2,914	-	2,416
			01115-001-PN01	-	8,505	-	3,449
			01116-001-PN01	-	-	-	7,004
			7000S358B140014	-	-	-	19,624
Total - English Language Acquisition State Grants				-	11,419	-	32,493
Supporting Effective Instruction State Grant	Indiana Department of Education	84.367					
			13-0035	-	66,593	-	-
			14-0035	-	76,268	-	52,360
			15-0035	-	-	-	86,369
Total - Supporting Effective Instruction State Grant				-	142,861	-	138,729
Total - Department of Education				-	1,950,731	-	1,976,493
Total federal awards expended				\$ -	\$ 2,299,197	\$ -	\$ 2,338,111

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

SOUTH ADAMS SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 3. Special Education Cooperative**

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

SOUTH ADAMS SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

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
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
84.010	Child Nutrition Cluster
84.011	Title I Grants to Local Educational Agencies Migrant Education_State Grant Program

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 2016-001**

Subject: Schedule of Expenditures of Federal Awards  
Audit Finding: Material Weakness

*Condition*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

SOUTH ADAMS SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The SEFA presented for audit contained the following errors:

1. National School Lunch Program - commodities were not included resulting in an understatement in the amount of \$47,153 for FY 14-15 and \$53,905 for FY 15-16.
2. The Child Nutrition Cluster expenditures were overstated by \$231,756 for FY 14-15 and \$238,269 for FY 15-16.
3. The Special Education Cluster (IDEA) expenditures were understated by \$267,380 for FY 14-15 and \$82,533 for FY 15-16.
4. The Title I Grants to Local Educational Agencies expenditures were overstated by \$470 for FY 15-16.
5. The Migrant Education\_State Grant Program expenditures were understated by \$10,951 for FY 14-15.
6. The Rural Education expenditures were overstated by \$19,684 for FY 15-16.
7. The English Language Acquisition State Grants expenditures were overstated by \$6,710 for FY 14-15 and understated by \$346 for FY 15-16.
8. \$265,332 was reported for FY 14-15 for a non-existent grant resulting in an overstatement.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § .310. . . ."

SOUTH ADAMS SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal

SOUTH ADAMS SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

*Views of Responsible Officials*

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

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

**FINDING 2016-002**

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16  
Pass-Through Entity: Indiana Department of Education  
Subject: Internal Control over the Child Nutrition Cluster  
Compliance Requirements: Cash Management, Reporting  
Audit Finding: Material Weakness

SOUTH ADAMS SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition*

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

*Cash Management*

The School Corporation had not established a control to ensure that the food service balance (Net Cash Resources) did not exceed the three months average expenditures.

*Reporting*

The Food Service Director prepared and submitted the Annual Financial Reports (AFR); however, there was no control in place to ensure that the AFRs were correct.

*Context*

Internal control issues were systematic, occurring throughout the audit period.

*Criteria*

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. . . ."

2 CFR section 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

SOUTH ADAMS SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Cash Management and Reporting compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2016-003**

Federal Agency: Department of Education

Federal Program: Migrant Education\_State Grant Program

CFDA Number: 84.011

Federal Award Numbers and Years (or Other Identifying Numbers): 38212-012-PN01, 38213-012-PN01,  
38214-008-PN01, 38215-003-PN01

Pass-Through Entity: Indiana Department of Education

Subject: Allowable Costs/Cost Principles

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness

*Condition*

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Allowable Costs/Cost Principles.

The School Corporation had not implemented adequate controls to ensure that Semi-Annual Certifications and Personnel Activity Reports or Documentation of Personnel Expenses were prepared.

*Context*

The School Corporation was not aware that specific forms were required for employees paid from the program funds.

*Criteria*

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. . . ."

SOUTH ADAMS SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR section 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) . . . ."

OMB Circular A-87, Attachment B item 8(h) states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(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,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

SOUTH ADAMS SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

*Cause*

The School Corporation was not aware of this compliance requirement during the audit period.

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the Allowable Costs/Cost Principles requirements that have a direct and material effect to the program could have resulted in the loss of federal fund to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and requirements pertaining to Allowable Costs/Cost Principles to ensure that all Allowable Costs/Cost Principles requirements were complied with in.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



# South Adams School

1075 Starfire Way, Berne, Indiana 46711

Office: 260-589-3133

Fax: 260-589-2065

*Scott Litwiller*  
Superintendent

*Annette Schwartz*  
Administrative Assistant

*Rebecca Biberstein*  
Treasurer

*Pam Hawbaker*  
Grants Clerk

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDINGS: 2014 -001 Financial Transactions and Reporting 2014 -002 Preparation of the Schedule of Expenditures of Federal Awards**

Fiscal year in which the finding initially occurred: 2014  
Contact Person for Corrective Action: Rebecca Biberstein  
Contact Phone Number: 260-589-3133 ext 501

#### **Status of Audit Findings:**

2014-001 The duties have been segregated. A third staff member was added to the office and is responsible for reconciling the bank statements each month. Vouchers are entered by the grants manager and reviewed by the treasurer before checks are mailed.

2014-002 The reporting was submitted timely but with errors. South Adams Schools is working to understand the information entered into Gateway. The treasurer and grant manager will review previous audits to help determine what information is required. An example is the lunch program fund 800 was used to enter the 12 month expenses, but only the Federal Award should have been reported. These are the types of errors we will strive to understand and correct.

*Rebecca Biberstein*  
Treasurer

6-20-17  
Date



# South Adams School

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Grants Clerk

## CORRECTIVE ACTION PLAN

AUDIT PERIOD: JULY 1, 2014 – JUNE 30, 2016

Contact Person Responsible for Corrective Action: Rebecca Biberstein(treasurer)  
Contact Information: (260) 589-3133, [bbiberstein@southadams.k12.in.us](mailto:bbiberstein@southadams.k12.in.us)

### FINDING 2016 -001

South Adams Schools will correct the Gateway Annual Report immediately by creating instructions detailing how to complete the Federal Awards report accurately. The treasurer will execute the reports and the grants manager will review and sign off. The treasurer will then complete the Gateway reporting for submission prior to the due date.

### FINDING 2016 -002

South Adams Schools has established (effective 6/1/17) controls to verify the food service balance is less than or equal to the three month average expenses. The grants manager will review the report monthly and document the balance and the average three month expenses, this will be signed by the food service director and the grants manager.

### FINDING 2016 -003

South Adams Schools began in 2016 to have Semi-Annual Certifications for staff designated 100% migrant. The director and grant manager will review all staff (effective 6/1/17) and determine what documentation will be needed. Staff working 100% migrant will have a Semi-Annual Certification, staff working outside of there school contract will have time sheets for their migrant work and staff working multiple funds will have Time and Effort Logs. This will be overseen by the director and reviewed by the grant manager.

*Scott Litwiler*  
\_\_\_\_\_  
Superintendent

*6-12-17*

Date

*Rebecca Biberstein*  
\_\_\_\_\_  
Treasurer

*6-12-17*

Date

#### OTHER REPORTS

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