

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

ADAMS CENTRAL COMMUNITY SCHOOLS
ADAMS COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
01/19/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela S. Hawbaker Dawn M. Cook	07-01-14 to 12-31-14 01-01-15 to 06-30-18
Superintendent of Schools	Dr. Lori M. Stiglitz (Vacant)	07-01-14 to 11-14-17 11-15-17 to 06-30-18
President of the School Board	Brian L. Tonner George W. Kuntzman John D. Sipe Timothy R. Tobias	07-01-14 to 03-10-15 03-11-15 to 06-09-15 06-10-15 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE ADAMS CENTRAL COMMUNITY SCHOOLS, ADAMS COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Adams Central Community 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 December 7, 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

December 7, 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 ADAMS CENTRAL COMMUNITY 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 Adams Central Community 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 December 7, 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 deficiencies 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.

Adams Central Community 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

December 7, 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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ADAMS CENTRAL COMMUNITY 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 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 833,824	\$ 7,231,127	\$ 6,898,169	\$ 590	\$ 1,167,372	\$ 7,550,870	\$ 7,033,357	\$ -	\$ 1,684,885
Debt Service	452,914	1,253,805	1,051,473	(57,000)	598,246	1,250,293	1,087,158	(40,000)	721,381
Capital Projects	266,605	1,097,321	980,671	(113,000)	270,255	1,126,213	870,302	-	526,166
School Transportation	112,088	748,371	707,942	-	152,517	771,729	625,439	(104,000)	194,807
School Bus Replacement	133,750	205,812	212,609	(10,000)	116,953	211,793	179,413	(29,118)	120,215
Rainy Day	748,160	-	1,704	180,000	926,456	-	-	173,118	1,099,574
School Lunch	267,447	501,678	489,756	-	279,369	536,940	555,454	-	260,855
Textbook Rental	105,580	120,903	68,789	-	157,694	122,390	147,343	-	132,741
Self-Insurance	20,719	27,179	5,502	-	42,396	47,162	7,980	-	81,578
Levy Excess	-	579	-	-	579	-	-	-	579
Child Care Program	7,119	64,869	61,029	-	10,959	80,112	71,011	-	20,060
Gifts and Donations	51	-	51	-	-	-	-	-	-
Scholarships and Awards	1,212	131	-	-	1,343	140	-	-	1,483
G.O. Bond	-	-	-	-	-	1,965,709	757,851	-	1,207,858
Building Trades	(2)	1,912	1,910	-	-	-	-	-	-
Adams County Community Foundation	-	3,225	3,225	-	-	-	-	-	-
High Ability 2011-12	3,903	29,152	13,054	-	20,001	30,264	43,055	-	7,210
Secured Schools Safety Grant	(39,807)	38,450	(1,357)	-	-	-	33,857	-	(33,857)
Non-English Speaking Programs	(1)	2,291	2,290	-	-	7,602	5,755	-	1,847
School Technology	2,312	9,411	11,723	-	-	8,724	6,480	-	2,244
Pioneer Hibred Foundation	-	5,000	2,500	-	2,500	-	2,500	-	-
Cell Grant	6,379	-	6,379	-	-	-	-	-	-
Project Lead the Way	-	23,200	3,200	-	20,000	10,848	35,922	-	(5,074)
SAAC SAP 2013	151	-	151	-	-	-	-	-	-
SAAC SAP	3,150	3,000	2,583	-	3,567	-	3,054	-	513
Title I 2014-15	-	650,564	735,609	-	(85,045)	1,081,906	1,066,998	-	(70,137)
Title I 2013-14	(33,136)	332,544	299,408	-	-	-	-	-	-
Area 18 Vocational	-	8,979	8,979	-	-	16,820	16,820	-	-
Improving Teacher Quality, No Child Left, Title II, Part A	(2,989)	50,499	51,159	-	(3,649)	56,337	56,928	-	(4,240)
Rural Schools and Low Income Program - Pass Through State	(12,063)	49,299	37,253	-	(17)	21,989	37,555	-	(15,583)
Title III - English Proficiency Migrant	-	2,124	1,721	-	403	1,787	4,760	-	(2,570)
Safe School/Healthy Child/Training	(1)	1	-	-	-	-	-	-	-
Qualified School Construction Bond	98,281	466,533	466,785	-	98,029	467,539	466,784	-	98,784
Title I 2011-12	(2)	2	-	-	-	-	-	-	-
Title I 2012-13	(1)	1	-	-	-	-	-	-	-
Clearing	40,774	2,222,600	2,197,055	-	66,319	2,251,616	2,260,016	-	57,919
Totals	\$ 3,016,417	\$ 15,150,562	\$ 14,321,322	\$ 590	\$ 3,846,247	\$ 17,618,783	\$ 15,375,792	\$ -	\$ 6,089,238

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

ADAMS CENTRAL COMMUNITY 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.

ADAMS CENTRAL COMMUNITY 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.

ADAMS CENTRAL COMMUNITY 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

ADAMS CENTRAL COMMUNITY 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.

ADAMS CENTRAL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2015 and 2016.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with Adams Central Elementary 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 ended June 30, 2015 and 2016, totaled \$1,353,050 and \$1,373,050, respectively.

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.

ADAMS CENTRAL COMMUNITY 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	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 833,824	\$ 452,914	\$ 266,605	\$ 112,088	\$ 133,750	\$ 748,160	\$ 267,447	\$ 105,580
Receipts:								
Local sources	44,934	1,253,805	1,097,140	748,371	205,812	-	332,511	97,418
Intermediate sources	103	-	-	-	-	-	-	-
State sources	7,172,530	-	-	-	-	-	8,359	23,485
Federal sources	-	-	-	-	-	-	160,808	-
Other receipts	13,560	-	181	-	-	-	-	-
Total receipts	7,231,127	1,253,805	1,097,321	748,371	205,812	-	501,678	120,903
Disbursements:								
Instruction	4,923,495	-	-	-	-	-	-	-
Support services	1,769,677	-	651,227	707,942	212,609	1,704	33,175	68,789
Noninstructional services	204,997	-	-	-	-	-	456,581	-
Facilities acquisition and construction	-	-	329,444	-	-	-	-	-
Debt service	-	1,051,473	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	6,898,169	1,051,473	980,671	707,942	212,609	1,704	489,756	68,789
Excess (deficiency) of receipts over disbursements	332,958	202,332	116,650	40,429	(6,797)	(1,704)	11,922	52,114
Other financing sources (uses):								
Sale of capital assets	590	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	180,000	-	-
Transfers out	-	(57,000)	(113,000)	-	(10,000)	-	-	-
Total other financing sources (uses)	590	(57,000)	(113,000)	-	(10,000)	180,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	333,548	145,332	3,650	40,429	(16,797)	178,296	11,922	52,114
Cash and investments - ending	\$ 1,167,372	\$ 598,246	\$ 270,255	\$ 152,517	\$ 116,953	\$ 926,456	\$ 279,369	\$ 157,694

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

	Self- Insurance	Levy Excess	Child Care Program	Gifts and Donations	Scholarships and Awards	G.O. Bond	Building Trades	Adams County Community Foundation
Cash and investments - beginning	\$ 20,719	\$ -	\$ 7,119	\$ 51	\$ 1,212	\$ -	\$ (2)	\$ -
Receipts:								
Local sources	27,179	579	64,869	-	131	-	1,912	3,225
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	27,179	579	64,869	-	131	-	1,912	3,225
Disbursements:								
Instruction	-	-	-	-	-	-	1,910	-
Support services	5,502	-	-	51	-	-	-	3,225
Noninstructional services	-	-	61,029	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	5,502	-	61,029	51	-	-	1,910	3,225
Excess (deficiency) of receipts over disbursements	21,677	579	3,840	(51)	131	-	2	-
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	21,677	579	3,840	(51)	131	-	2	-
Cash and investments - ending	\$ 42,396	\$ 579	\$ 10,959	\$ -	\$ 1,343	\$ -	\$ -	\$ -

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

	High Ability 2011-12	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Pioneer Hibred Foundation	Cell Grant	Project Lead the Way
Cash and investments - beginning	\$ 3,903	\$ (39,807)	\$ (1)	\$ 2,312	\$ -	\$ 6,379	\$ -
Receipts:							
Local sources	-	-	-	-	5,000	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	29,152	38,450	2,291	9,411	-	-	-
Federal sources	-	-	-	-	-	-	23,200
Other receipts	-	-	-	-	-	-	-
Total receipts	29,152	38,450	2,291	9,411	5,000	-	23,200
Disbursements:							
Instruction	13,054	-	2,290	-	2,500	-	3,200
Support services	-	(1,357)	-	11,723	-	6,379	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	13,054	(1,357)	2,290	11,723	2,500	6,379	3,200
Excess (deficiency) of receipts over disbursements	16,098	39,807	1	(2,312)	2,500	(6,379)	20,000
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	16,098	39,807	1	(2,312)	2,500	(6,379)	20,000
Cash and investments - ending	\$ 20,001	\$ -	\$ -	\$ -	\$ 2,500	\$ -	\$ 20,000

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

	SAAC SAP 2013	SAAC SAP	Title I 2014-15	Title I 2013-14	Area 18 Vocational	Improving Teacher Quality, No Child Left, Title II, Part A	Rural Schools and Low Income Program - Pass Through State
Cash and investments - beginning	\$ 151	\$ 3,150	\$ -	\$ (33,136)	\$ -	\$ (2,989)	\$ (12,063)
Receipts:							
Local sources	-	3,000	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	650,564	332,544	8,979	50,499	49,299
Other receipts	-	-	-	-	-	-	-
Total receipts	-	3,000	650,564	332,544	8,979	50,499	49,299
Disbursements:							
Instruction	151	2,583	606,486	230,725	8,979	51,159	-
Support services	-	-	111,793	59,584	-	-	37,253
Noninstructional services	-	-	17,330	9,099	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	151	2,583	735,609	299,408	8,979	51,159	37,253
Excess (deficiency) of receipts over disbursements	(151)	417	(85,045)	33,136	-	(660)	12,046
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	(151)	417	(85,045)	33,136	-	(660)	12,046
Cash and investments - ending	\$ -	\$ 3,567	\$ (85,045)	\$ -	\$ -	\$ (3,649)	\$ (17)

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

	Title III - English Proficiency Migrant	Safe School/ Healthy Child/ Training	Qualified School Construction Bond	Title I 2011-12	Title I 2012-13	Clearing	Totals
Cash and investments - beginning	\$ -	\$ (1)	\$ 98,281	\$ (2)	\$ (1)	\$ 40,774	\$ 3,016,417
Receipts:							
Local sources	-	-	-	-	-	-	3,885,886
Intermediate sources	-	-	-	-	-	-	103
State sources	-	-	-	-	-	-	7,283,678
Federal sources	2,124	-	466,533	-	-	-	1,744,550
Other receipts	-	1	-	2	1	2,222,600	2,236,345
Total receipts	2,124	1	466,533	2	1	2,222,600	15,150,562
Disbursements:							
Instruction	1,721	-	-	-	-	-	5,848,253
Support services	-	-	-	-	-	-	3,679,276
Noninstructional services	-	-	-	-	-	-	749,036
Facilities acquisition and construction	-	-	-	-	-	-	329,444
Debt service	-	-	466,785	-	-	-	1,518,258
Nonprogrammed charges	-	-	-	-	-	2,197,055	2,197,055
Total disbursements	1,721	-	466,785	-	-	2,197,055	14,321,322
Excess (deficiency) of receipts over disbursements	403	1	(252)	2	1	25,545	829,240
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	590
Transfers in	-	-	-	-	-	-	180,000
Transfers out	-	-	-	-	-	-	(180,000)
Total other financing sources (uses)	-	-	-	-	-	-	590
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	403	1	(252)	2	1	25,545	829,830
Cash and investments - ending	\$ 403	\$ -	\$ 98,029	\$ -	\$ -	\$ 66,319	\$ 3,846,247

ADAMS CENTRAL COMMUNITY 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	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,167,372	\$ 598,246	\$ 270,255	\$ 152,517	\$ 116,953	\$ 926,456	\$ 279,369	\$ 157,694
Receipts:								
Local sources	130,146	1,250,293	1,126,213	771,729	211,793	-	347,912	97,326
Intermediate sources	124	-	-	-	-	-	-	-
State sources	7,420,600	-	-	-	-	-	8,196	25,064
Federal sources	-	-	-	-	-	-	180,832	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>7,550,870</u>	<u>1,250,293</u>	<u>1,126,213</u>	<u>771,729</u>	<u>211,793</u>	<u>-</u>	<u>536,940</u>	<u>122,390</u>
Disbursements:								
Instruction	5,070,727	-	-	-	-	-	-	-
Support services	1,763,213	-	592,259	625,439	179,413	-	36,000	147,343
Noninstructional services	199,417	-	-	-	-	-	498,233	-
Facilities acquisition and construction	-	-	278,043	-	-	-	21,221	-
Debt service	-	1,087,158	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>7,033,357</u>	<u>1,087,158</u>	<u>870,302</u>	<u>625,439</u>	<u>179,413</u>	<u>-</u>	<u>555,454</u>	<u>147,343</u>
Excess (deficiency) of receipts over disbursements	<u>517,513</u>	<u>163,135</u>	<u>255,911</u>	<u>146,290</u>	<u>32,380</u>	<u>-</u>	<u>(18,514)</u>	<u>(24,953)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	173,118	-	-
Transfers out	-	(40,000)	-	(104,000)	(29,118)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>(104,000)</u>	<u>(29,118)</u>	<u>173,118</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>517,513</u>	<u>123,135</u>	<u>255,911</u>	<u>42,290</u>	<u>3,262</u>	<u>173,118</u>	<u>(18,514)</u>	<u>(24,953)</u>
Cash and investments - ending	<u>\$ 1,684,885</u>	<u>\$ 721,381</u>	<u>\$ 526,166</u>	<u>\$ 194,807</u>	<u>\$ 120,215</u>	<u>\$ 1,099,574</u>	<u>\$ 260,855</u>	<u>\$ 132,741</u>

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

	Self- Insurance	Levy Excess	Child Care Program	Gifts and Donations	Scholarships and Awards	G.O. Bond	Building Trades	Adams County Community Foundation
Cash and investments - beginning	\$ 42,396	\$ 579	\$ 10,959	\$ -	\$ 1,343	\$ -	\$ -	\$ -
Receipts:								
Local sources	47,162	-	80,112	-	140	1,965,709	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	47,162	-	80,112	-	140	1,965,709	-	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	7,980	-	-	-	-	-	-	-
Noninstructional services	-	-	71,011	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	757,851	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	7,980	-	71,011	-	-	757,851	-	-
Excess (deficiency) of receipts over disbursements	39,182	-	9,101	-	140	1,207,858	-	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	39,182	-	9,101	-	140	1,207,858	-	-
Cash and investments - ending	\$ 81,578	\$ 579	\$ 20,060	\$ -	\$ 1,483	\$ 1,207,858	\$ -	\$ -

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

	High Ability 2011-12	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Pioneer Hibred Foundation	Cell Grant	Project Lead the Way
Cash and investments - beginning	\$ 20,001	\$ -	\$ -	\$ -	\$ 2,500	\$ -	\$ 20,000
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	30,264	-	7,602	8,724	-	-	-
Federal sources	-	-	-	-	-	-	10,848
Other receipts	-	-	-	-	-	-	-
Total receipts	30,264	-	7,602	8,724	-	-	10,848
Disbursements:							
Instruction	43,055	-	5,755	-	2,500	-	35,922
Support services	-	33,857	-	6,480	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	43,055	33,857	5,755	6,480	2,500	-	35,922
Excess (deficiency) of receipts over disbursements	(12,791)	(33,857)	1,847	2,244	(2,500)	-	(25,074)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,791)	(33,857)	1,847	2,244	(2,500)	-	(25,074)
Cash and investments - ending	\$ 7,210	\$ (33,857)	\$ 1,847	\$ 2,244	\$ -	\$ -	\$ (5,074)

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

	SAAC SAP 2013	SAAC SAP	Title I 2014-15	Title I 2013-14	Area 18 Vocational	Improving Teacher Quality, No Child Left, Title II, Part A	Rural Schools and Low Income Program - Pass Through State
Cash and investments - beginning	\$ -	\$ 3,567	\$ (85,045)	\$ -	\$ -	\$ (3,649)	\$ (17)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	1,081,906	-	16,820	56,337	21,989
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	1,081,906	-	16,820	56,337	21,989
Disbursements:							
Instruction	-	3,054	875,162	-	16,820	56,928	-
Support services	-	-	168,967	-	-	-	37,555
Noninstructional services	-	-	22,869	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	3,054	1,066,998	-	16,820	56,928	37,555
Excess (deficiency) of receipts over disbursements	-	(3,054)	14,908	-	-	(591)	(15,566)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(3,054)	14,908	-	-	(591)	(15,566)
Cash and investments - ending	\$ -	\$ 513	\$ (70,137)	\$ -	\$ -	\$ (4,240)	\$ (15,583)

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

	Title III - English Proficiency Migrant	Safe School/ Healthy Child/ Training	Qualified School Construction Bond	Title I 2011-12	Title I 2012-13	Clearing	Totals
Cash and investments - beginning	\$ 403	\$ -	\$ 98,029	\$ -	\$ -	\$ 66,319	\$ 3,846,247
Receipts:							
Local sources	-	-	-	-	-	-	6,028,535
Intermediate sources	-	-	-	-	-	-	124
State sources	-	-	-	-	-	-	7,500,450
Federal sources	1,787	-	467,539	-	-	-	1,838,058
Other receipts	-	-	-	-	-	2,251,616	2,251,616
Total receipts	1,787	-	467,539	-	-	2,251,616	17,618,783
Disbursements:							
Instruction	4,760	-	-	-	-	-	6,114,683
Support services	-	-	-	-	-	-	3,598,506
Noninstructional services	-	-	-	-	-	-	791,530
Facilities acquisition and construction	-	-	-	-	-	-	1,057,115
Debt service	-	-	466,784	-	-	-	1,553,942
Nonprogrammed charges	-	-	-	-	-	2,260,016	2,260,016
Total disbursements	4,760	-	466,784	-	-	2,260,016	15,375,792
Excess (deficiency) of receipts over disbursements	(2,973)	-	755	-	-	(8,400)	2,242,991
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	173,118
Transfers out	-	-	-	-	-	-	(173,118)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,973)	-	755	-	-	(8,400)	2,242,991
Cash and investments - ending	\$ (2,570)	\$ -	\$ 98,784	\$ -	\$ -	\$ 57,919	\$ 6,089,238

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ADAMS CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2016

<u>Government</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 209,348</u>	<u>\$ 88,299</u>

ADAMS CENTRAL COMMUNITY SCHOOLS
 SCHEDULE OF LEASES AND DEBT
 June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Adams Central Elementary School Building Corporation	Elementary Renovation	\$ 688,000	01/15/2003	01/15/2018
Adams Central Elementary School Building Corporation	High/Middle School Renovation	<u>685,050</u>	06/30/2011	01/15/2026
Total of annual lease payments		<u>\$ 1,373,050</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Swimming Pool Renovation	\$ 115,000	\$ 118,588
General obligation bonds	Roof Renovation & Misc. Facility Renovations 2015	1,915,000	248,333
Notes and loans payable	Common School Loan	<u>55,650</u>	<u>22,761</u>
Totals		<u>\$ 2,085,650</u>	<u>\$ 389,682</u>

ADAMS CENTRAL COMMUNITY 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	\$ 81,669
Buildings	9,887,870
Improvements other than buildings	16,282,549
Machinery, equipment, and vehicles	<u>3,109,135</u>
Total capital assets	<u>\$ 29,361,223</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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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 ADAMS CENTRAL COMMUNITY SCHOOLS, ADAMS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Adams Central Community 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.

Basis for Qualified Opinion on the Child Nutrition Cluster

As described in item 2016-003 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs/Cost Principles 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.

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

Qualified Opinion on the Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the 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, 2014 to June 30, 2016.

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, 2014 to June 30, 2016.

Other 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.

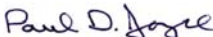
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses 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 items 2016-002, 2016-003, 2016-004, and 2016-005 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

December 7, 2017

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.

ADAMS CENTRAL COMMUNITY 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 2014/2015	\$ -	\$ 13,038	\$ -	\$ -
			FY 2015/2016	-	-	-	13,416
Total - School Breakfast Program				-	13,038	-	13,416
National School Lunch Program	Indiana Department of Education	10.555	FY 2014/2015	-	147,770	-	-
Commodities			FY 2015/2016	-	-	-	167,416
			FY 2014/2016	-	33,972	-	35,074
Total - National School Lunch Program				-	181,742	-	202,490
Total - Child Nutrition Cluster				-	194,780	-	215,906
Total - Department of Agriculture				-	194,780	-	215,906
<u>Department of Education</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	14-0015	-	332,544	-	-
			15-0015	-	650,564	-	444,502
			16-0015	-	-	-	684,087
Total - Title I Grants to Local Educational Agencies				-	983,108	-	1,128,589
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027	14213-001-PN01	-	49	-	-
			14214-001-PN01	-	147,101	-	103
			14215-001-PN01	-	143,181	-	89,796
			14216-001-PN01	-	-	-	127,486
			99914-001-TA01	-	1,659	-	43
Total - Special Education Grants to States				-	291,990	-	217,428
Special Education Preschool Grants	Indiana Department of Education	84.173	45714-001-PN01	-	1,033	-	-
			45715-001-PN01	-	4,897	-	2,062
			45716-001-PN01	-	-	-	6,033
Total - Special Education Preschool Grants				-	5,930	-	8,095
Total - Special Education Cluster (IDEA)				-	297,920	-	225,523

ADAMS CENTRAL COMMUNITY 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
Career and Technical Education -- Basic Grants to States	Bluffton-Harrison MSD	84.048	14-4700-8445	-	150	-	-
			15-4700-8445	-	12,965	-	-
			16-4700-8445	-	-	-	18,402
Total - Career and Technical Education - Basic Grants to States				-	13,115	-	18,402
Rural Education	Indiana Department of Education	84.358	12-0015	-	23,168	-	-
			13-0015	-	19,005	-	13,667
			14-0015	-	7,126	-	4,610
			15-0015	-	-	-	3,711
Total - Rural Education				-	49,299	-	21,988
English Language Acquisition State Grants	North Adams Community Schools	84.365	01115-105-PN01	-	2,124	-	1,787
Total - English Language Acquisition State Grants				-	2,124	-	1,787
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	12-0015	-	26,599	-	-
			13-0015	-	23,900	-	25,062
			14-0015	-	-	-	33,175
Total - Supporting Effective Instruction State Grants				-	50,499	-	58,237
Total - Department of Education				-	1,396,065	-	1,454,526
Total federal awards expended				\$ -	\$ 1,590,845	\$ -	\$ 1,670,432

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

ADAMS CENTRAL COMMUNITY 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 for the School Corporation. This activity is reported on the financial statement of the Cooperative.

ADAMS CENTRAL COMMUNITY 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 for Special Education Cluster (IDEA) and Title I Grants to Local Educational Agencies; Qualified for Child Nutrition Cluster
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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster
	Special Education Cluster (IDEA)
84.010	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

ADAMS CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediate prior report. The prior report finding was 2014-001.

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).

Context

The SEFA presented for audit contained the following errors:

1. The National School Lunch Program commodities were not included, resulting in an understatement of expenditures by \$33,972 for fiscal year 2015 and \$35,074 for fiscal year 2016.
2. The Special Education Cluster (IDEA) expenditures were understated by \$131,997 for fiscal year 2015 and \$17,948 for fiscal year 2016.
3. The Career and Technical Education expenditures were understated by \$4,136 for fiscal year 2015 and \$1,582 for fiscal year 2016.

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. . . ."

ADAMS CENTRAL COMMUNITY 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:

ADAMS CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 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 that 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 *Context*.

Recommendation

We recommended the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

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

ADAMS CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-002

Subject: Child Nutrition Cluster - Internal Controls

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: FY 2014/2015, FY 2015/2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Reporting, Equipment and Real Property Management, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior report regarding the Cash Management and Equipment and Real Property Management compliance requirements. The prior report finding numbers were 2014-002 and 2014-003.

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, Equipment and Real Property Management, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Cash Management

Management of the School Corporation had not established documented controls to ensure that the School Lunch fund cash balances were less than or equal to the three months average expenditures.

Eligibility

There were no controls in place to ensure that eligibility determinations were performed when required or were accurate. The Middle School Extracurricular Treasurer independently completed the eligibility determinations. There was no segregation of duties, such as an oversight, review, or approval process.

Equipment and Real Property Management

Management of the School Corporation had not established documented controls to ensure that the School Lunch fund asset additions and asset deletions were maintained and monitored.

ADAMS CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Annual Financial Reports, School Food Authority (SFA) Verification Collection Reports, and Monthly Sponsor Claims (claims for reimbursement) were accurate prior to submission. One person prepared and submitted the reports. There was no segregation of duties, such as an oversight, review, or approval process.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

There were no controls in place to ensure that eligibility determinations were performed when required or were accurate. The Middle School Extracurricular Treasurer independently completed the eligibility determinations. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of properly designed and implemented controls was a systemic problem, which occurred 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 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

The School Corporation had not established and implemented an effective internal control system that segregated key functions.

ADAMS CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 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.

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 compliance requirements listed above.

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

Subject: Child Nutrition Cluster - 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 Numbers and Years (or Other Identifying Number): FY 2014/2015, FY 2015/2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation operated a food service program that was the recipient of federal funding from the School Breakfast Program and the National School Lunch Program. All transactions related to the food service program were recorded in the School Lunch fund. This included, but was not limited to, salaries and benefits, food purchases, supplies, and all program income generated by the food service program.

Context

Management of the School Corporation had not established an effective internal control system to ensure that only allowable costs were paid with food service program funds. The School Corporation charged indirect costs directly to the food service program rather than to charge the Indirect Cost Unrestricted Rate. This was in violation of the requirement that all federal programs be handled consistently for applying indirect costs. The following indirect costs charged directly to the food service program are considered questioned costs:

ADAMS CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

1. The food service program paid a percentage of two administrative corporation employees' salaries for fiscal years 2015 and 2016. The administrative employees did not maintain personnel activity reports to support the distribution of a portion of their salaries to the food service program. The amount of the administrative salaries charged to the food service program without proper supporting documentation totaled \$11,677.
2. The food service program paid a set amount of the monthly electric service without being separately metered for only the food service program area. The amount of the electricity charged to the food service program without separate invoicing totaled \$69,000.
3. The food service program paid a portion of the amount of the monthly trash service without being separately invoiced for the food service program trash bin usage. The amount of the trash service charged to the food service program without separate invoicing totaled \$4,746.
4. The food service program paid a portion of the amount of the monthly pest service without being separately invoiced for the food service program area treated. The amount of the pest service charged to the food service program without separate invoicing totaled \$1,239.

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 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 A, section C.1 states in part:

"Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . ."

ADAMS CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-87, Attachment B, section 8h states in part:

". . . (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 non-Federal award,
 - (c) An indirect cost activity and a direct cost activity . . .
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee. . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

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); . . .

ADAMS CENTRAL COMMUNITY 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

Management of the School Corporation had not established a proper system of internal controls that would have ensured that indirect costs were not charged directly to the program rather than at the Indirect Cost Unrestricted Rate.

Effect

The failure to establish internal controls enabled material compliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Known questioned costs identified totaled \$86,662.

Recommendation

We recommended that the School Corporation's management establish effective controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2016-004

Subject: Special Education Cluster (IDEA) - Matching, Level of Effort, Earmarking and Reporting

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 and Years (or Other Identifying Numbers): 14213-001-PN01, 14214-001-PN01,
14215-001-PN01, 14216-001-PN01,
99914-001-TA01, 45714-001-PN01,
45715-001-PN01, 45716-001-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking and Reporting

Audit Finding: Material Weakness

ADAMS CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

The School Corporation was a member of the Adams-Wells Special Services Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grants. There was no oversight of the Cooperative by the School Corporation. Since the grant agreements were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements.

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

Context

The Cooperative's internal control was that the reports were to be reviewed by the Cooperative's Director prior to submission to the IDOE. The Quarterly Proportionate Share Monitoring Reports for Non-Public Schools presented for audit were not the original reviewed and signed reports. Also, some of the reports presented were incomplete. Per inquiry of the School Corporation's officials, there was no oversight at the School Corporation over the filing of required reports submitted to the IDOE.

Of the Quarterly Proportionate Share Monitoring Reports for Non-Public Schools presented for the audit, we could not verify the reported "proportionate share" expenditures. Per inquiry of the Director of the Cooperative, the reported expenditures were calculated by multiplying the applicable monthly reimbursed expenditures by the non-public school usage percentage, which was calculated based on a time study conducted annually by the Cooperative's Director. A copy of the time study was requested, but it was not available for audit.

The lack of controls was a systemic problem, which occurred 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 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). . . ."

ADAMS CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not designed or implemented a system of internal control for the Matching, Level of Effort, Earmarking and Reporting compliance requirements.

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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the School Corporation's management establish controls related to the Matching, Level of Effort, Earmarking 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 2016-005

Subject: Title I Grants to Local Educational Agencies - Reporting
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 13-0015, 14-0015, 15-0015
Pass-Through Entity: Indiana Department of Educations
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Condition

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

There were no controls in place to ensure the Monthly Reimbursement Reports were accurate prior to submission.

Context

The lack of controls was a systemic problem which applied to all of the Monthly Reimbursement Reports submitted during the audit period.

ADAMS CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 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

The School Corporation had not established an effective system of internal controls to ensure compliance with the Reporting requirements.

Effect

The failure to establish an effective internal control system could have enabled material noncompliance to go undetected. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Reporting compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

ADAMS CENTRAL COMMUNITY SCHOOLS

222 West Washington Street, Monroe, IN 46772 • Phone: 260-692-6193

OFFICE OF THE SUPERINTENDENT



Dawn Cook
Corporation Treasurer

Arnita Heyerly
Deputy Treasurer

Kelli Fuhrmann
Secretary to Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001 Internal Controls Over the Preparation of the Schedule of Expenditures of Federal Awards

Fiscal year in which the finding initially occurred: 2014
Contact Person Responsible for Corrective Action: Dawn Cook
Contact Phone Number: 260-692-6193 ext 1009
Status of Audit Finding:

The reporting was submitted timely but with errors. Adams Central Community Schools is working to understand the information required to be entered into Gateway. The Treasurer has reviewed previous audits to help determine what information is required and is striving to understand and correct the errors made.

FINDING 2014-002 Internal Controls and Compliance Over Cash Management – Child Nutrition Cluster

Fiscal year in which the finding initially occurred: 2014
Contact Person Responsible for Corrective Action: Dawn Cook & Michele Barger
Contact Phone Number: 260-692-6193
Status of Audit Finding:

Adams Central Community Schools did implement a quarterly review for the Child Nutrition Cluster. While we are still exceeding the maximum allowable for a non-profit entity, we have been working diligently to reduce this balance while still maintaining fiscal responsibility.

FINDING 2014-003 Internal Controls and Compliance Over Equipment and Real Property Management – Child Nutrition Cluster

Fiscal year in which the finding initially occurred: 2014
Contact Person Responsible for Corrective Action: Michele Barger & Dawn Cook
Contact Phone Number: 260-692-6193
Status of Audit Finding:

Adams Central Community Schools has implemented a spreadsheet tracking system that is updated as claims are processed by the Corporation Treasurer. This is then reviewed on a yearly basis with the Directors of Maintenance and Director of School Nutrition for any omissions.



Corporation Treasurer

12/7/17

Date



ADAMS CENTRAL COMMUNITY SCHOOLS

222 West Washington Street, Monroe, IN 46772 • Phone: 260-692-6193

OFFICE OF THE SUPERINTENDENT



Dawn Cook
Corporation Treasurer

Arnita Heyerly
Deputy Treasurer

Kelli Fuhrmann
Secretary to Superintendent

CORRECTIVE ACTION PLAN

FINDING 2016-001 Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Dawn Cook
Contact Phone Number: (260) 692-1009
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Adams Central Community Schools is working to understand the information required to be entered into Gateway and will create instructions / past examples, detailing how to complete the SEFA accurately. The Corporation Treasurer will execute the reports and have the Deputy Treasurer review and sign. The Corporation Treasurer will then complete the Gateway reporting for submission prior to the due date.

Anticipated Completion Date: Ongoing – The Schedule of Expenditures of Federal Awards completion dates have been placed on the school calendar. Notes have been placed in past files indicating this requires a review and signature of another knowledgeable individual.

FINDING 2016-002 Child Nutrition Cluster – Internal Controls

Contact Person Responsible for Corrective Action: Michele Barger & Dawn Cook
Contact Phone Number: (260) 692-6193
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Adams Central Community Schools has implemented a quarterly review to ensure balances are declining from the excess of three-month average allowable for a non-profit entity. We will also work with the middle school extracurricular treasurer to establish another individual to provide oversight, review and approve the Eligibility and Verification process. Adams Central Community Schools has implemented a spreadsheet tracking system that is updated as claims are processed by the Corporation Treasurer. This document is then reviewed yearly by the Director of Maintenance and Director of School Nutrition for omissions, with them both signing after their review.

Anticipated Completion Date: Partially Completed and Ongoing

FINDING 2016-003 Child Nutrition Cluster – Allowable Costs/Cost Principles

Contact Person Responsible for Corrective Action: Michele Barger & Dawn Cook
Contact Phone Number: (260) 692-6193
Views of Responsible Official: We concur with the finding



Inspiring and Empowering Students to Succeed

Description of Corrective Action Plan: Adams Central Community Schools already has Indirect Cost Rates assigned by the IDOE to be used with this Fund and has made the necessary corrections regarding the electric, trash and pest services. The administrative corporation employees' salaries that are allocated to the food service program will now start completing time and effort logs beginning in January 2018 for proper documentation and support.

Anticipated Completion Date: Partially Completed and Ongoing

FINDING 2016-004 Special Education Grants – Matching, Level of Effort, Earmarking and Reporting

Contact Person Responsible for Corrective Action: Dawn Cook
Contact Phone Number: (260) 692-6193
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Adams Central Community Schools will review (initial and date) the Quarterly Proportionate Share Monitoring Reports for Non-Public Schools prepared by Adams Wells Cooperative, along with the supporting documentation. After review, we will advise Adams Wells Cooperative of any relative comments and approve Adams Central Community Schools' portion of the report for submittal to the State.

Anticipated Completion Date: Current and Ongoing

FINDING 2016-005 Title I Grants - Reporting

Contact Person Responsible for Corrective Action: Abby DeRoo & Dawn Cook
Contact Phone Number: (260) 692-6193
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Adams Central Community Schools has already implemented additional control processes. Each process is reviewed by someone other than the person performing the process, with them signing for proper documentation purposes.

Anticipated Completion Date: Completed



Dawn Cook
Corporation Treasurer

12/7/17
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/>.