

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CONCORD COMMUNITY SCHOOLS
ELKHART COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
05/17/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Constance J. Crum	07-01-14 to 12-31-15
	Sarah Nagy	01-01-16 to 01-15-17
	Rebecka Smith (interim)	01-16-17 to 04-17-17
	Sue Oakley	04-18-17 to 12-31-18
Superintendent of Schools	Wayne R. Stubbs	07-01-14 to 06-30-15
	John D. Trout	07-01-15 to 06-30-18
President of the School Board	Randall Myers	07-01-14 to 12-31-17
	Tim A. Yoder	01-01-18 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CONCORD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Concord 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 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 May 3, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

May 3, 2018



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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 CONCORD COMMUNITY SCHOOLS, ELKHART 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 Concord 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 May 3, 2018, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Concord 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

May 3, 2018

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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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CONCORD 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	\$ 4,454,736	\$ 34,983,847	\$ 32,354,690	\$ (121,993)	\$ 6,961,900	\$ 35,356,415	\$ 33,206,425	\$ (1,439,826)	\$ 7,672,064
Referendum Tax Levy	-	2,175,244	487,725	-	1,687,519	4,239,625	2,455,759	-	3,471,385
Debt Service	966,463	9,241,073	9,560,248	-	647,288	9,485,675	9,205,940	-	927,023
Retirement/Severance Bond Debt Service	23,818	395,214	381,682	-	37,350	376,165	359,803	-	53,712
Capital Projects	1,244,810	3,078,068	3,023,662	19,622	1,318,838	3,161,522	3,278,700	-	1,201,660
School Transportation	270,816	1,931,371	1,743,678	16,579	475,088	1,935,259	1,782,386	2,520	630,481
School Bus Replacement	350,299	200,231	5,775	-	544,755	222,128	352,281	-	414,602
Rainy Day	1,705,000	-	-	-	1,705,000	220,635	-	1,500,000	3,425,635
Retirement/Severance Bond	14,482	-	14,348	-	134	-	134	-	-
GOB 2012 Construction	944,880	-	887,756	-	57,124	-	57,124	-	-
GOB 2013 Construction	1,910,195	-	939,148	-	971,047	-	866,084	-	104,963
Construction Bond, Intermediate School 2008	50,329	-	-	-	50,329	-	50,329	-	-
School Lunch	1,931,055	2,848,368	2,840,911	-	1,938,512	3,216,241	3,084,899	2,915	2,072,769
Textbook Rental	517,402	440,724	371,912	-	586,214	456,143	445,528	-	596,829
Levy Excess	-	2,520	-	-	2,520	-	-	(2,520)	-
Young Authors	3,604	-	-	-	3,604	-	-	-	3,604
Alternative Education	-	9,045	9,045	-	-	9,581	-	-	9,581
Early Intervention Grant 2014	(39,927)	39,927	-	-	-	-	-	-	-
Miscellaneous Programs	2,199	62,045	38,008	-	26,236	12,715	36,215	-	2,736
Print Center	(2,268)	29,854	24,874	-	2,712	29,209	24,723	-	7,198
Formative Assessment	-	-	-	-	-	30,560	-	-	30,560
High Ability Grant 2014	6,246	-	6,246	-	-	-	-	-	-
High Ability Grant 2015	-	46,260	34,258	-	12,002	-	12,002	-	-
High Ability Grant 2016	-	-	-	-	-	48,720	42,063	-	6,657
Early Childhood Intervention (First Steps)	-	-	-	-	-	16,018	-	-	16,018
Secured Schools Safety Grant	(38,264)	35,118	2,046	-	(5,192)	3,146	-	-	(2,046)
Extra-Curricular Activities	1,870	18,188	19,970	-	88	17,627	16,776	-	939
NESP State Grant 2014	26,062	-	26,062	-	-	-	-	-	-
NESP State Grant 2015	-	90,694	80,391	-	10,303	-	10,303	-	-
NESP State Grant 2016	-	-	-	-	-	191,639	188,802	-	2,837
School Technology	34,285	89,252	94,888	-	28,649	96,835	54,176	-	71,308
Professional Development	852	-	2,882	2,030	-	-	-	-	-
Senator David Ford Technology	-	-	-	-	-	-	2,392	-	(2,392)
Title I - FY 2014	(103,919)	385,201	281,282	-	-	-	-	-	-
Title I - FY 2015	-	557,086	736,927	106,981	(72,860)	439,225	366,365	-	-
Title I - FY 2016	-	-	-	-	-	580,859	623,867	-	(43,008)
IDEA, PL 101-476 FY 2014	(154,080)	396,556	242,476	-	-	-	-	-	-
IDEA, PL 101-476 FY 2015	-	660,515	910,879	-	(250,364)	484,560	234,196	-	-
IDEA, PL 101-476 FY 2016	-	-	-	-	-	788,891	962,485	-	(173,594)
IDEA, Silver Grant	(409)	7,098	6,689	-	-	-	-	-	-
Medicaid Reimbursement - Federal	220,902	163,881	28,881	-	355,902	141,828	40,974	-	456,756
Improving Teaching Quality, No Child Left, Title II, Part A 2014	(33,308)	40,825	7,517	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A 2015	-	14,864	53,623	-	(38,759)	6,738	25,493	54,646	(2,868)
Improving Teaching Quality, No Child Left, Title II, Part A 2016	-	-	-	-	-	57,478	-	(54,646)	2,832
Title III Part A, Limited English FY 2014	(48,648)	67,319	18,671	-	-	-	-	-	-
Title III Part A, Limited English FY 2015	-	38,932	114,553	-	(75,621)	75,621	39,302	39,302	-
Title III Part A, Limited English FY 2016	-	-	-	-	-	173,888	140,247	(39,302)	(5,661)
Payroll Clearing	97,733	12,342,888	12,335,106	-	105,515	11,773,244	11,764,020	-	114,739
Insurance Trust	693,515	5,084,495	4,501,667	-	1,276,342	4,371,936	4,646,430	-	1,001,848
Prepaid School Lunch	-	-	-	-	-	452,081	429,392	-	22,689
Totals	\$ 15,050,730	\$ 75,476,702	\$ 72,188,476	\$ 23,219	\$ 18,362,175	\$ 78,472,207	\$ 74,805,615	\$ 63,089	\$ 22,091,856

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

CONCORD 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.

CONCORD 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.

CONCORD 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.

CONCORD 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.

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

CONCORD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Funding Policy and Annual Pension Cost

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

C. Additional Pension Plan

The School Corporation also contributes to an additional 401a retirement plan unique to the School Corporation of 1.5 percent of salary for the Certified Teachers and Auxiliary groups and 2 percent of salary for the Administrator group. Information regarding this plan may be obtained from the School Corporation.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. For these funds, this is a result of funds being part of reimbursable grants and some minor disbursement posting errors. The reimbursements for expenditures made by the School Corporation were not received from the State of Indiana by June 30, 2015 and 2016. Appropriate adjustments to correct the disbursement errors were made by management to eliminate the cash balance deficits.

Note 8. Holding Corporation

The School Corporation has entered into capital leases with Concord Community Schools Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years 2015 and 2016 totaled \$9,408,203 and \$9,072,900, respectively.

CONCORD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Events

The School Corporation has issued three General Obligation Bonds in the subsequent period: General Obligation Bonds of 2016, \$2,000,000, final payment due December 30, 2018; General Obligation Bonds of 2017, \$2,000,000, final payment due December 30, 2020; and General Obligation Bonds of 2017B, \$2,150,000, final payment due January 15, 2019. Bond proceeds were used for the renovation of athletic facilities and the renovation and improvement of school buildings.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Indiana Gateway for Government Units 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.

CONCORD 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	Referendum Tax Levy	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 4,454,736	\$ -	\$ 966,463	\$ 23,818	\$ 1,244,810	\$ 270,816	\$ 350,299	\$ 1,705,000	\$ 14,482
Receipts:									
Local sources	393,487	2,175,244	9,241,073	395,214	3,011,977	1,846,526	200,231	-	-
Intermediate sources	389	-	-	-	-	-	-	-	-
State sources	34,497,863	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	92,108	-	-	-	66,091	84,845	-	-	-
Total receipts	34,983,847	2,175,244	9,241,073	395,214	3,078,068	1,931,371	200,231	-	-
Disbursements:									
Instruction	22,788,593	164,766	-	-	-	-	-	-	14,348
Support services	9,059,449	92,170	-	-	1,691,758	1,743,678	5,775	-	-
Noninstructional services	506,648	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	230,789	-	-	1,331,904	-	-	-	-
Debt service	-	-	9,560,248	381,682	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	32,354,690	487,725	9,560,248	381,682	3,023,662	1,743,678	5,775	-	14,348
Excess (deficiency) of receipts over disbursements	2,629,157	1,687,519	(319,175)	13,532	54,406	187,693	194,456	-	(14,348)
Other financing sources (uses):									
Sale of capital assets	1,567	-	-	-	19,622	-	-	-	-
Transfers in	-	-	-	-	-	16,579	-	-	-
Transfers out	(123,560)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(121,993)	-	-	-	19,622	16,579	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,507,164	1,687,519	(319,175)	13,532	74,028	204,272	194,456	-	(14,348)
Cash and investments - ending	\$ 6,961,900	\$ 1,687,519	\$ 647,288	\$ 37,350	\$ 1,318,838	\$ 475,088	\$ 544,755	\$ 1,705,000	\$ 134

CONCORD 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

	GOB 2012 Construction	GOB 2013 Construction	Construction Bond, Intermediate School 2008	School Lunch	Textbook Rental	Levy Excess	Young Authors	Alternative Education	Early Intervention Grant 2014
Cash and investments - beginning	\$ 944,880	\$ 1,910,195	\$ 50,329	\$ 1,931,055	\$ 517,402	\$ -	\$ 3,604	\$ -	\$ (39,927)
Receipts:									
Local sources	-	-	-	854,367	197,949	2,520	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	21,801	241,034	-	-	9,045	39,927
Federal sources	-	-	-	1,939,993	-	-	-	-	-
Other receipts	-	-	-	32,207	1,741	-	-	-	-
Total receipts	-	-	-	2,848,368	440,724	2,520	-	9,045	39,927
Disbursements:									
Instruction	-	-	-	-	-	-	-	9,045	-
Support services	-	366,446	-	2,036	371,912	-	-	-	-
Noninstructional services	-	-	-	2,532,741	-	-	-	-	-
Facilities acquisition and construction	887,756	572,702	-	106,134	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	200,000	-	-	-	-	-
Total disbursements	887,756	939,148	-	2,840,911	371,912	-	-	9,045	-
Excess (deficiency) of receipts over disbursements	(887,756)	(939,148)	-	7,457	68,812	2,520	-	-	39,927
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	(887,756)	(939,148)	-	7,457	68,812	2,520	-	-	39,927
Cash and investments - ending	\$ 57,124	\$ 971,047	\$ 50,329	\$ 1,938,512	\$ 586,214	\$ 2,520	\$ 3,604	\$ -	\$ -

CONCORD 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

	Miscellaneous Programs	Print Center	Formative Assessment	High Ability Grant 2014	High Ability Grant 2015	High Ability Grant 2016	Early Childhood Intervention (First Steps)	Secured Schools Safety Grant	Extra- Curricular Activities
Cash and investments - beginning	\$ 2,199	\$ (2,268)	\$ -	\$ 6,246	\$ -	\$ -	\$ -	\$ (38,264)	\$ 1,870
Receipts:									
Local sources	62,045	29,854	-	-	-	-	-	-	18,188
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	46,260	-	-	35,118	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	62,045	29,854	-	-	46,260	-	-	35,118	18,188
Disbursements:									
Instruction	928	-	-	6,246	34,258	-	-	-	-
Support services	-	24,874	-	-	-	-	-	2,046	-
Noninstructional services	5,320	-	-	-	-	-	-	-	19,970
Facilities acquisition and construction	31,760	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	38,008	24,874	-	6,246	34,258	-	-	2,046	19,970
Excess (deficiency) of receipts over disbursements	24,037	4,980	-	(6,246)	12,002	-	-	33,072	(1,782)
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	24,037	4,980	-	(6,246)	12,002	-	-	33,072	(1,782)
Cash and investments - ending	\$ 26,236	\$ 2,712	\$ -	\$ -	\$ 12,002	\$ -	\$ -	\$ (5,192)	\$ 88

CONCORD 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

	NESP State Grant 2014	NESP State Grant 2015	NESP State Grant 2016	School Technology	Professional Development	Senator David Ford Technology	Title I - FY 2014	Title I - FY 2015
Cash and investments - beginning	\$ 26,062	\$ -	\$ -	\$ 34,285	\$ 852	\$ -	\$ (103,919)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	90,694	-	3,843	-	-	-	-
Federal sources	-	-	-	-	-	-	385,201	557,086
Other receipts	-	-	-	85,409	-	-	-	-
Total receipts	-	90,694	-	89,252	-	-	385,201	557,086
Disbursements:								
Instruction	26,062	80,391	-	-	-	-	157,822	507,108
Support services	-	-	-	24,705	2,882	-	72,538	155,680
Noninstructional services	-	-	-	-	-	-	19,817	74,139
Facilities acquisition and construction	-	-	-	70,183	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	31,105	-
Total disbursements	26,062	80,391	-	94,888	2,882	-	281,282	736,927
Excess (deficiency) of receipts over disbursements	(26,062)	10,303	-	(5,636)	(2,882)	-	103,919	(179,841)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	2,030	-	-	-
Transfers in	-	-	-	-	-	-	-	123,560
Transfers out	-	-	-	-	-	-	-	(16,579)
Total other financing sources (uses)	-	-	-	-	2,030	-	-	106,981
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(26,062)	10,303	-	(5,636)	(852)	-	103,919	(72,860)
Cash and investments - ending	\$ -	\$ 10,303	\$ -	\$ 28,649	\$ -	\$ -	\$ -	\$ (72,860)

CONCORD 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 I - FY 2016	IDEA, PL 101-476 FY 2014	IDEA, PL 101-476 FY 2015	IDEA, PL 101-476 FY 2016	IDEA, Silver Grant	Medicaid Reimbursement - Federal	Improving Teaching Quality, No Child Left, Title II, Part A 2014	Improving Teaching Quality, No Child Left, Title II, Part A 2015
Cash and investments - beginning	\$ -	\$ (154,080)	\$ -	\$ -	\$ (409)	\$ 220,902	\$ (33,308)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	396,556	660,515	-	7,098	163,881	40,825	14,864
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	396,556	660,515	-	7,098	163,881	40,825	14,864
Disbursements:								
Instruction	-	242,476	848,779	-	-	8,732	-	52,923
Support services	-	-	62,100	-	6,689	20,149	5,007	700
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	2,510	-
Total disbursements	-	242,476	910,879	-	6,689	28,881	7,517	53,623
Excess (deficiency) of receipts over disbursements	-	154,080	(250,364)	-	409	135,000	33,308	(38,759)
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	-	154,080	(250,364)	-	409	135,000	33,308	(38,759)
Cash and investments - ending	\$ -	\$ -	\$ (250,364)	\$ -	\$ -	\$ 355,902	\$ -	\$ (38,759)

CONCORD 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

	Improving Teaching Quality, No Child Left, Title II, Part A 2016	Title III Part A, Limited English FY 2014	Title III Part A, Limited English FY 2015	Title III Part A, Limited English FY 2016	Payroll Clearing	Insurance Trust	Prepaid School Lunch	Totals
Cash and investments - beginning	\$ -	\$ (48,648)	\$ -	\$ -	\$ 97,733	\$ 693,515	\$ -	\$ 15,050,730
Receipts:								
Local sources	-	-	-	-	12,342,888	5,084,495	-	35,856,057
Intermediate sources	-	-	-	-	-	-	-	389
State sources	-	-	-	-	-	-	-	34,985,585
Federal sources	-	67,319	38,932	-	-	-	-	4,272,270
Other receipts	-	-	-	-	-	-	-	362,401
Total receipts	-	67,319	38,932	-	12,342,888	5,084,495	-	75,476,702
Disbursements:								
Instruction	-	8,100	106,626	-	-	-	-	25,057,203
Support services	-	-	-	-	-	-	-	13,710,594
Noninstructional services	-	8,093	7,927	-	-	-	-	3,174,655
Facilities acquisition and construction	-	-	-	-	-	-	-	3,231,228
Debt service	-	-	-	-	-	-	-	9,941,930
Nonprogrammed charges	-	2,478	-	-	12,335,106	4,501,667	-	17,072,866
Total disbursements	-	18,671	114,553	-	12,335,106	4,501,667	-	72,188,476
Excess (deficiency) of receipts over disbursements	-	48,648	(75,621)	-	7,782	582,828	-	3,288,226
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	23,219
Transfers in	-	-	-	-	-	-	-	140,139
Transfers out	-	-	-	-	-	-	-	(140,139)
Total other financing sources (uses)	-	-	-	-	-	-	-	23,219
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	48,648	(75,621)	-	7,782	582,828	-	3,311,445
Cash and investments - ending	\$ -	\$ -	\$ (75,621)	\$ -	\$ 105,515	\$ 1,276,342	\$ -	\$ 18,362,175

CONCORD 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	Referendum Tax Levy	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 6,961,900	\$ 1,687,519	\$ 647,288	\$ 37,350	\$ 1,318,838	\$ 475,088	\$ 544,755	\$ 1,705,000	\$ 134
Receipts:									
Local sources	388,106	4,238,941	9,485,675	376,165	3,157,019	1,866,725	222,128	220,635	-
Intermediate sources	505	-	-	-	-	-	-	-	-
State sources	34,910,377	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	57,427	684	-	-	4,503	68,534	-	-	-
Total receipts	35,356,415	4,239,625	9,485,675	376,165	3,161,522	1,935,259	222,128	220,635	-
Disbursements:									
Instruction	23,379,252	794,334	-	-	-	-	-	-	134
Support services	9,268,150	420,738	-	-	1,858,468	1,782,386	352,281	-	-
Noninstructional services	559,023	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	562,687	-	-	1,420,232	-	-	-	-
Debt service	-	678,000	9,205,940	359,803	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	33,206,425	2,455,759	9,205,940	359,803	3,278,700	1,782,386	352,281	-	134
Excess (deficiency) of receipts over disbursements	2,149,990	1,783,866	279,735	16,362	(117,178)	152,873	(130,153)	220,635	(134)
Other financing sources (uses):									
Sale of capital assets	60,174	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	2,520	-	1,500,000	-
Transfers out	(1,500,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,439,826)	-	-	-	-	2,520	-	1,500,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	710,164	1,783,866	279,735	16,362	(117,178)	155,393	(130,153)	1,720,635	(134)
Cash and investments - ending	\$ 7,672,064	\$ 3,471,385	\$ 927,023	\$ 53,712	\$ 1,201,660	\$ 630,481	\$ 414,602	\$ 3,425,635	\$ -

CONCORD 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

	GOB 2012 Construction	GOB 2013 Construction	Construction Bond, Intermediate School 2008	School Lunch	Textbook Rental	Levy Excess	Young Authors	Alternative Education	Early Intervention Grant 2014
Cash and investments - beginning	\$ 57,124	\$ 971,047	\$ 50,329	\$ 1,938,512	\$ 586,214	\$ 2,520	\$ 3,604	\$ -	\$ -
Receipts:									
Local sources	-	-	-	848,480	208,151	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	24,037	246,985	-	-	9,581	-
Federal sources	-	-	-	2,309,109	-	-	-	-	-
Other receipts	-	-	-	34,615	1,007	-	-	-	-
Total receipts	-	-	-	3,216,241	456,143	-	-	9,581	-
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	-	29,162	445,528	-	-	-	-
Noninstructional services	-	-	-	2,820,527	-	-	-	-	-
Facilities acquisition and construction	57,124	866,084	50,329	68,229	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	166,981	-	-	-	-	-
Total disbursements	57,124	866,084	50,329	3,084,899	445,528	-	-	-	-
Excess (deficiency) of receipts over disbursements	(57,124)	(866,084)	(50,329)	131,342	10,615	-	-	9,581	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	2,915	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(2,520)	-	-	-
Total other financing sources (uses)	-	-	-	2,915	-	(2,520)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(57,124)	(866,084)	(50,329)	134,257	10,615	(2,520)	-	9,581	-
Cash and investments - ending	\$ -	\$ 104,963	\$ -	\$ 2,072,769	\$ 596,829	\$ -	\$ 3,604	\$ 9,581	\$ -

CONCORD 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

	Miscellaneous Programs	Print Center	Formative Assessment	High Ability Grant 2014	High Ability Grant 2015	High Ability Grant 2016	Early Childhood Intervention (First Steps)	Secured Schools Safety Grant	Extra- Curricular Activities
Cash and investments - beginning	\$ 26,236	\$ 2,712	\$ -	\$ -	\$ 12,002	\$ -	\$ -	\$ (5,192)	\$ 88
Receipts:									
Local sources	12,715	29,209	-	-	-	-	-	-	17,627
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	30,560	-	-	48,720	16,018	3,146	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	12,715	29,209	30,560	-	-	48,720	16,018	3,146	17,627
Disbursements:									
Instruction	-	-	-	-	5,515	36,303	-	-	-
Support services	-	24,723	-	-	6,487	5,760	-	-	-
Noninstructional services	7,885	-	-	-	-	-	-	-	16,776
Facilities acquisition and construction	28,330	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	36,215	24,723	-	-	12,002	42,063	-	-	16,776
Excess (deficiency) of receipts over disbursements	(23,500)	4,486	30,560	-	(12,002)	6,657	16,018	3,146	851
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	(23,500)	4,486	30,560	-	(12,002)	6,657	16,018	3,146	851
Cash and investments - ending	\$ 2,736	\$ 7,198	\$ 30,560	\$ -	\$ -	\$ 6,657	\$ 16,018	\$ (2,046)	\$ 939

CONCORD 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

	NESP State Grant 2014	NESP State Grant 2015	NESP State Grant 2016	School Technology	Professional Development	Senator David Ford Technology	Title I - FY 2014	Title I - FY 2015
Cash and investments - beginning	\$ -	\$ 10,303	\$ -	\$ 28,649	\$ -	\$ -	\$ -	\$ (72,860)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	191,639	4,404	-	-	-	-
Federal sources	-	-	-	-	-	-	-	439,225
Other receipts	-	-	-	92,431	-	-	-	-
Total receipts	-	-	191,639	96,835	-	-	-	439,225
Disbursements:								
Instruction	-	10,303	186,268	-	-	-	-	326,116
Support services	-	-	2,534	42,967	-	2,392	-	17,837
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	11,209	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	22,412
Total disbursements	-	10,303	188,802	54,176	-	2,392	-	366,365
Excess (deficiency) of receipts over disbursements	-	(10,303)	2,837	42,659	-	(2,392)	-	72,860
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	-	(10,303)	2,837	42,659	-	(2,392)	-	72,860
Cash and investments - ending	\$ -	\$ -	\$ 2,837	\$ 71,308	\$ -	\$ (2,392)	\$ -	\$ -

CONCORD 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 I - FY 2016	IDEA, PL 101-476 FY 2014	IDEA, PL 101-476 FY 2015	IDEA, PL 101-476 FY 2016	IDEA, Silver Grant	Medicaid Reimbursement - Federal	Improving Teaching Quality, No Child Left, Title II, Part A 2014	Improving Teaching Quality, No Child Left, Title II, Part A 2015
Cash and investments - beginning	\$ -	\$ -	\$ (250,364)	\$ -	\$ -	\$ 355,902	\$ -	\$ (38,759)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	580,859	-	484,560	788,891	-	141,828	-	6,738
Other receipts	-	-	-	-	-	-	-	-
Total receipts	580,859	-	484,560	788,891	-	141,828	-	6,738
Disbursements:								
Instruction	509,499	-	202,020	923,290	-	16,288	-	22,818
Support services	113,363	-	-	39,195	-	24,686	-	1,002
Noninstructional services	1,005	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	32,176	-	-	-	-	1,673
Total disbursements	623,867	-	234,196	962,485	-	40,974	-	25,493
Excess (deficiency) of receipts over disbursements	(43,008)	-	250,364	(173,594)	-	100,854	-	(18,755)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	54,646
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	54,646
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(43,008)	-	250,364	(173,594)	-	100,854	-	35,891
Cash and investments - ending	\$ (43,008)	\$ -	\$ -	\$ (173,594)	\$ -	\$ 456,756	\$ -	\$ (2,868)

CONCORD 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

	Improving Teaching Quality, No Child Left, Title II, Part A 2016	Title III Part A, Limited English FY 2014	Title III Part A, Limited English FY 2015	Title III Part A, Limited English FY 2016	Payroll Clearing	Insurance Trust	Prepaid School Lunch	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (75,621)	\$ -	\$ 105,515	\$ 1,276,342	\$ -	\$ 18,362,175
Receipts:								
Local sources	-	-	-	-	11,773,244	4,371,936	452,081	37,668,837
Intermediate sources	-	-	-	-	-	-	-	505
State sources	-	-	-	-	-	-	-	35,485,467
Federal sources	57,478	-	75,621	173,888	-	-	-	5,058,197
Other receipts	-	-	-	-	-	-	-	259,201
Total receipts	57,478	-	75,621	173,888	11,773,244	4,371,936	452,081	78,472,207
Disbursements:								
Instruction	-	-	28,175	124,102	-	-	-	26,564,417
Support services	-	-	-	8,386	-	-	-	14,446,045
Noninstructional services	-	-	8,005	7,759	-	-	-	3,420,980
Facilities acquisition and construction	-	-	-	-	-	-	-	3,064,224
Debt service	-	-	-	-	-	-	-	10,243,743
Nonprogrammed charges	-	-	3,122	-	11,764,020	4,646,430	429,392	17,066,206
Total disbursements	-	-	39,302	140,247	11,764,020	4,646,430	429,392	74,805,615
Excess (deficiency) of receipts over disbursements	57,478	-	36,319	33,641	9,224	(274,494)	22,689	3,666,592
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	63,089
Transfers in	-	-	39,302	-	-	-	-	1,596,468
Transfers out	(54,646)	-	-	(39,302)	-	-	-	(1,596,468)
Total other financing sources (uses)	(54,646)	-	39,302	(39,302)	-	-	-	63,089
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,832	-	75,621	(5,661)	9,224	(274,494)	22,689	3,729,681
Cash and investments - ending	\$ 2,832	\$ -	\$ -	\$ (5,661)	\$ 114,739	\$ 1,001,848	\$ 22,689	\$ 22,091,856

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
MailFinance	Postage Meter Machines	\$ 2,200	1/1/2012	3/31/2017
Concord Community Schools Building Corporation	Bldg Corp Bonds Series 2008B	2,802,060	7/15/2009	1/15/2018
Concord Community Schools Building Corporation	Bldg Corp Bonds Series 2008A	2,293,245	7/15/2008	1/15/2029
Concord Community Schools Building Corporation	Bldg Corp Bonds Series 2015 Refunding	<u>532,083</u>	4/21/2005	1/10/2021
Total of annual lease payments		<u>\$ 5,629,588</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	GOB of 2012/Bldg Repairs & Renovations	\$ 1,820,000	\$ 1,021,100
General obligation bonds	GOB of 2013/Bldg Repairs Equipment	2,000,000	975,000
General obligation bonds	GOB Pension Bonds	<u>1,755,386</u>	<u>358,595</u>
Totals		<u>\$ 5,575,386</u>	<u>\$ 2,354,695</u>

CONCORD 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	\$ 11,647,452
Infrastructure	4,355,291
Buildings	189,883,871
Improvements other than buildings	24,088,142
Machinery, equipment, and vehicles	6,735,001
Construction in progress	<u>1,610,423</u>
Total capital assets	<u>\$ 238,320,180</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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 CONCORD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Concord 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 Special Education Cluster (IDEA)

As described in items 2016-005, 2016-006, 2016-007, 2016-008, and 2016-009 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Special Education Cluster (IDEA) regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

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

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of the Special Education Cluster (IDEA) regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting, described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on Special Education Cluster (IDEA) 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 results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-004. Our opinion on each major federal program is not modified with respect to this matter.

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

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

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, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, and 2016-011, to be material weaknesses.

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

May 3, 2018

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.

CONCORD 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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed 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	\$ -	\$ 401,693	\$ -	\$ -
			FY 2015-2016	-	-	-	536,698
Total - School Breakfast Program				-	401,693	-	536,698
National School Lunch Program	Indiana Department of Education	10.555					
			FY 2014-2015	-	1,514,776	-	-
			FY 2015-2016	-	-	-	1,751,340
Commodities			FY 2014-2015	-	173,839	-	-
Commodities			FY 2015-2016	-	-	-	179,885
Total - National School Lunch Program				-	1,688,615	-	1,931,225
Summer Food Service Program for Children	Indiana Department of Education	10.559					
			FY 2014-2015	-	19,406	-	-
			FY 2015-2016	-	-	-	17,856
Total - Summer Food Service Program for Children				-	19,406	-	17,856
Total - Child Nutrition Cluster				-	2,109,714	-	2,485,779
Child and Adult Care Food Program	Indiana Department of Education	10.558					
			FY 2014-2015	-	4,117	-	-
			FY 2015-2016	-	-	-	3,214
Total - Child and Adult Care Food Program				-	4,117	-	3,214
Total - Department of Agriculture				-	2,113,831	-	2,488,993
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
Special Ed Part B FY 2014			14214-016-PN01	-	412,590	-	-
Special Ed Part B FY 2015			14215-016-PN01	-	862,114	-	352,097
Special Ed Part B FY 2016			14216-016-PN01	-	-	-	925,291
SPED Technical Assistance FY2014			99914-016-TA01	-	10,028	-	1,360
Total - Special Education_Grants to States				-	1,284,732	-	1,278,748

CONCORD 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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Special Education_Preschool Grants	Indiana Department of Education	84.173					
Preschool FY 2014 ECSEC			45714-016-PN01	-	24,380	-	-
Preschool FY 2015 ECSEC			45715-016-PN01	-	30,986	-	11,563
Preschool FY 2016 ECSEC			45716-016-PN01	-	-	-	23,754
Total - Special Education_Preschool Grants				-	55,366	-	35,317
Total - Special Education Cluster (IDEA)				-	1,340,098	-	1,314,065
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I FY 2014			14-2270	-	385,202	-	-
Title I FY 2015			15-2270	-	557,086	-	439,225
Title I FY 2016			16-2270	-	-	-	580,859
Total - Title I Grants to Local Educational Agencies				-	942,288	-	1,020,084
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III Limited English FY 2014			01114-013-PN01	-	67,320	-	-
Title III Limited English FY 2015			01115-013-PN01	-	38,932	-	75,621
Title III Limited English FY 2016			01116-019-PN01	-	-	-	173,888
Total - English Language Acquisition State Grants				-	106,252	-	249,509
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Title II Part A FY 2013-2014			14-2270	-	40,825	-	-
Title II Part A FY 2014-2015			15-2270	-	14,864	-	6,738
Title II Part A FY 2015-2016			16-2270	-	-	-	57,479
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	55,689	-	64,217
Total - Department of Education				-	2,444,327	-	2,647,875
Total federal awards expended				\$ -	\$ 4,558,158	\$ -	\$ 5,136,868

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

CONCORD 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 the Elkhart County Special Education Cooperative (Cooperative) which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on 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.

CONCORD 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?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified for Special Education Cluster (IDEA); Unmodified for Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and English Language Acquisition Grants

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes
---	-----

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster
84.365	Special Education Cluster (IDEA)
	Title I Grants to Local Educational Agencies
	English Language Acquisition Grants

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

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

Section II - Financial Statement Findings

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediate prior audit regarding Financial Transactions and Reporting. The prior audit finding number was 2014-001.

Condition

There were several deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting.

1. Lack of Segregation of Duties:

- **Journal Entries:** The School Corporation had not separated incompatible activities related to processing and approval of journal entries. Journal entries were used to receipt and disburse money between funds, to correct transactions that have been inaccurately posted to the records, and to post Electronic Funds Transfer (EFT) disbursements from the School Corporation's bank accounts to an appropriate fund. These entries were calculated and posted to the records by one employee of the School Corporation without the approval of a second employee of the School Corporation or approval by the School Board.
 - **Payroll Disbursement Process:** The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Specialist processed and completed all functions of payroll processing activities without documented oversight by a second employee to ensure that payroll was properly calculated and charged to the appropriate fund, and that the employer's contribution for employee benefits was accurately charged to an appropriate fund.
 - **Self-Insurance Fund Transactions:** Self-Insurance Fund transactions were not recorded on the funds ledger of the School Corporation; rather, they were maintained on an Excel spreadsheet. For 23 of the 24 months of the audit period, one employee was responsible for posting receipt and disbursement transactions of the Self-Insurance Fund to the Excel spreadsheet and reconciling the spreadsheet to the bank statements, without oversight or approval of any other employee. There were no receipts written for amounts received from insurance companies as refunds and rebates. There were no receipts written for amounts received from the School Corporations other funds. Disbursements from the Self-Insurance Fund were not processed through the School Corporation normal disbursements process. EFTs were withdrawn from a Self-Insurance Bank Account with the approval of just one employee. Checks were processed by a third-party administrator and then a check register was sent to the Treasurer for recording within a manual record. None of these disbursements were approved by the School Board.
 - **Receipts:** Corporation money collected at the school buildings was receipted on various types of forms and collection reports of the individual school records and then deposited into a corporation bank account by one individual. A corporation receipt was written by a corporation office employee to record the funds collected onto the funds ledger of the School Corporation.
2. **Monitoring of Controls:** The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over Financial Reporting would require the School Corporation to monitor and assess the quality of the system of internal control.

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

The lack of adequate internal controls over the approval of journal entries, review of the payroll process, recording of Self-Insurance Fund transactions, and the receipt process was a systemic problem throughout the audit period.

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish and document effective controls, including segregation of duties, to ensure that financial transactions processed receive proper review prior to posting to ensure financial transactions are accurately reported on the financial statements.

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-002

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Program Income, Special Tests and Provisions - Verification of
Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

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: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Specialist processed and completed all functions of payroll processing activities without documented oversight by a second employee to ensure that payroll was properly calculated and charged to the appropriate fund, and that the employer's contribution for employee benefits was accurately charged to an appropriate fund.

Program Income

The School Corporation had not separated incompatible activities related to the collection and depositing of program income received in the school cafeterias. During the second year of the audit period, these duties were performed by one individual with no evidence of a control system, such as a review or approval process.

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

Verification of Free and Reduced Price Applications were processed by one employee without evidence of a control in place to review and approve the accuracy of verifications performed.

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

The lack of controls was a systemic issue. There were no documented controls throughout the audit period related to Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The lack of documented controls related to Program Income occurred throughout fiscal year 2015-2016.

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

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and 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.

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2016-003

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed 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): 14214-016-PN01, 14215-016-PN01,
14216-016-PN01, 99910-TA01,
45714-016-PN01, 45715-016-PN01,
45716-016-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Reporting

Audit Finding: Material Weakness

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 Activities Allowed or Unallowed and Reporting compliance requirements.

Activities Allowed or Unallowed

The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Specialist processed and completed all functions of payroll processing activities without documented oversight by a second employee to ensure that payroll was properly calculated and charged to the appropriate fund, and that the employer's contribution for employee benefits was accurately charged to an appropriate fund.

Reporting

There was no oversight in completing the December 1st child count. One person prepared the report without an oversight, review, or approval process to ensure it was accurate before the application was submitted.

Context

The lack of controls was a systemic issue, 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:

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed and Reporting compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Activities Allowed or Unallowed 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 2016-004

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

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): 14214-016-PN01, 14215-016-PN01,
14216-016-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-016-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

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.

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation had not separated incompatible activities related to payroll disbursements. The School Corporation had not implemented adequate controls to ensure that Time and Effort Logs or other documentation of personnel expenses were prepared.

Context

The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Specialist processed and completed all functions of payroll processing activities without documented oversight by a second employee to ensure that payroll was properly calculated and charged to the appropriate fund, and that the employer's contribution for employee benefits was accurately charged to an appropriate fund.

All 25 employees that were paid from Special Education Cluster (IDEA) funds were included on Semi-Annual Certifications for all six-month periods of the audit period. Of those 25 employees, 8 were paid from either the General fund or the Special Education Grant fund. Those 8 employees did not maintain proper Time and Effort Logs.

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 B, Section 8h states in part:

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

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

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (a) More than one Federal award,
 - (b) A Federal award and a non-Federal award, . . .
- (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 . . ."

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); . . .
- (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 designed or implemented internal control procedures to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation. 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 programs.

Questioned Costs

There were no questioned costs identified.

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

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: Special Education Cluster (IDEA) - Activities Allowed or Unallowed

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): 14214-016-PN01, 14215-016-PN01,
14216-014-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Activities Allowed or Unallowed

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation was a participating member school corporation of the Elkhart County Special Education Cooperative (Cooperative), a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The Goshen Community Schools (GCS) was the administrator of the Cooperative. Because the grant agreements were between the Indiana Department of Education and each member 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 School Corporation and at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed compliance requirement. There were no controls in place to ensure that expenditures charged to the grant were adequately documented to show compliance with the Activities Allowed or Unallowed requirements.

The Cooperative provided special education services to its participating member school corporations (members) and billed them from expenditures paid within the Cooperative funds during the audit period. The Cooperative gave its members credits on their bills for amounts the members were awarded from the budgeted grant category, *Services from Another Educational Agency*. Members did not directly request reimbursement for *Services from Another Educational Agency*; rather, the Cooperative requested reimbursement on the members' behalf for special education services provided under other categories such as *Certified Salaries, Non-Certified Salaries, Employee Benefits, Purchased/Contracted Services, Conference/Travel, Materials/Supplies, and Buildings*. The Cooperative did not provide any documentation to support the allocation charged to the grant for members' credits in order to test the population for Activities Allowed or Unallowed. Total allocations charged to Special Education Grants to States by the Cooperative for members' credits for school years ending June 30, 2015 and 2016, were \$345,319 and \$247,449, respectively.

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The funds requested by the Cooperative for members were received in the GCS's Spec Ed Part B funds and never transferred into the appropriate Cooperative fund. As a result, the requested funds that belonged to the Cooperative were commingled with the Special Ed Part B fund transactions that solely benefited the GCS and not the other members. Audit procedures over Special Ed Part B fund transactions revealed a lack of a review or approval process over payroll disbursements; however, sampled transactions as a whole were made in compliance with the Activities Allowed or Unallowed compliance requirement.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Additionally, adequate documentation did not support Cooperative expenditures allocated to the grant for members' credits and the commingling of Spec Ed Part B funds and expenditures identified in the *Condition*.

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). . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

The School Corporation and the Cooperative had not established an effective internal control system that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed compliance requirement. Additionally, an effective internal control system had not been established to ensure adequate documentation over Cooperative expenditures allocated to the grant for members' credits and the commingling of Special Ed Part B funds and expenditures identified in the *Condition*.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation and the Cooperative. Additionally, the failure to maintain adequate documentation over Cooperative expenditures allocated to the grant for members' credits and the comingling of Spec Ed Part B funds prevented the determination of the School Corporation's compliance related to Activities Allowed or Unallowed and the expenditures identified in the *Condition*.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Activities Allowed or Unallowed compliance requirement. Additionally, we recommended that management of the School Corporation and the Cooperative establish controls to ensure adequate documentation is maintained.

Views of Responsible Officials

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

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2016-006

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

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): 14214-016-PN01, 14215-016-PN01,
14216-014-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation was a participating member school corporation of the Elkhart County Special Education Cooperative (Cooperative), a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The Goshen Community Schools (GCS) was the administrator of the Cooperative. Because the grant agreements were between the Indiana Department of Education and each member 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 School Corporation and at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Expenditures made by the GCS out of Special Ed Part B funds for salaries and benefits charged to the Special Education Cluster (IDEA) were paid without adequate documentation to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. Personnel activity reports or other documentation of personnel expenses for employees who worked on multiple activities or cost objectives during the audit period were not completed or presented. Also, Semi-Annual Certifications or other documentation of personnel expenses for employees whose salaries were paid 100 percent out of the grant funds were not accurate or completed. The following is a list of issues identified during the audit:

1. In a test performed on 31 employee payroll transactions, 21 of those transactions were not supported by personnel activity reports or other personnel expense documentation to support the percentage of their pay being charged to the Special Education Cluster (IDEA).
2. For two employees who did complete personnel activity reports or other personnel expense documentation, only 12 out of 20 personnel activity reports were signed by a supervisor.
3. The School Corporation maintained a listing of employees who were to be paid from the Special Ed Part B funds. The School Corporation paid two employees from the Special Ed Part B funds who were not on that list.
4. The GCS did not adequately maintain personnel expense documentation to support substitutes' pay that was charged to the Special Education Cluster (IDEA).

Furthermore, the Cooperative provided special education services to its participating member school corporations (members) and billed them from expenditures paid within the Cooperative funds during the audit period. The Cooperative gave its members credits on their bills for amounts the members were awarded from the budgeted grant category, *Services from Another Educational Agency*. Members did not directly request reimbursement for *Services from Another Educational Agency*; rather, the Cooperative requested reimbursement on the members' behalf for special education services provided under other

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

categories such *Certified Salaries, Non-Certified Salaries, Employee Benefits, Purchased/Contracted Services, Conference/Travel, Materials/Supplies, and Buildings*. The Cooperative did not provide any documentation to support the allocation charged to the grant for members' credits in order to test the population for Allowable Costs/Cost Principles. Total allocations charged to Special Education Grants to States by the Cooperative for members' credits for school years ending June 30, 2015 and 2016, were \$345,319 and \$247,449, respectively.

The funds requested by the Cooperative for members were receipted in the GCS's Spec Ed Part B funds and never transferred into the appropriate Cooperative fund. As a result, the requested funds that belonged to the Cooperative were commingled with the Special Ed Part B fund transactions that solely benefited the GCS and not the other remaining members. Audit procedures over Special Ed Part B fund transactions revealed a lack of a review or approval process over payroll disbursements; however, sampled transactions as a whole, except as noted above, were made in compliance with Allowable Costs/Cost Principles.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Additionally, documentation was not provided to support the expenditures identified in the *Condition*.

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, Part C. states in part:

"1. 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. . . .
- j. Be adequately documented. . . ."

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award, . . .

(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 . . ."

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); . . .

CONCORD 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

The School Corporation had not established an effective internal control system that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Additionally, an effective internal control system had not been established to ensure supporting documentation was maintained related to personnel activity reports or other documentation of personnel expenses and the expenditures identified in the *Condition*.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation and to the Cooperative. Additionally, the failure to maintain supporting documentation prevented the determination of the School Corporation's compliance related to personnel activity reports or other personnel expense documentation and the expenditures identified in the *Condition*.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. Additionally, we recommended that management of the School Corporation and the Cooperative establish controls to ensure adequate supporting documentation is maintained.

Views of Responsible Officials

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

FINDING 2016-007

Subject: Special Education Cluster (IDEA) - Cash Management

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): 14214-016-PN01, 14215-016-PN01,
14216-014-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Modified Opinion

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

The School Corporation was a participating member school corporation of the Elkhart County Special Education Cooperative (Cooperative), a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The Goshen Community Schools (GCS) was the administrator of the Cooperative. Because the grant agreements were between the Indiana Department of Education (IDOE) and each member 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 School Corporation and at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The reimbursement request form prescribed by the IDOE required dual signatures for approval before submission. Multiple reimbursement requests presented for audit did not have the required dual signatures.

Expenditures charged to the Special Education Cluster (IDEA) were paid without adequate documentation. Therefore, it could not be determined whether expenditures were paid prior to the Cooperative requesting reimbursement.

The Cooperative, which operated out of its own fund on the GCS's ledger and provided services to its member school corporations (members) and billed its members for those services, requested special education funds on behalf of its members in exchange for credits on its members' bills. The members budgeted and used the category, *Services from Another Educational Agency*, to account for the activity they wanted to receive from the Cooperative. For instance, for grant award 14215-016-PN01, the Cooperative requested reimbursement on April 15, 2015, and on September 15, 2015, for the activities, *Certified Salaries* and *Employee Benefits*, but did not provide any supporting documentation for a total of \$214,569 requested. The Cooperative's requested funds were received by the GCS and commingled with the GCS's Spec Ed Part B funds. The Cooperative did not bill its members for its services until January 8, 2016. The funds requested by the Cooperative were never transferred to the appropriate GCS fund to reimburse the credits that were given to Cooperative members.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Additionally, documentation was not provided to support requests for reimbursement and that expenditures were made prior to the request, and evidence was not presented to support approval of requests identified in the *Condition*.

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:

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(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). . . ."

34 CFR 74.22 states in part:

". . . (e)(1) When the reimbursement method is used, the Secretary makes payment within 30 days after receipt of the billing, unless the billing is improper. . . .

(f). . . Thereafter, the Secretary reimburses the recipient for its actual cash disbursements. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;
- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

The School Corporation had not established an effective internal control system that would have ensured compliance with the grant agreement and the Cash Management compliance requirement. Additionally, an effective internal control system had not been established to ensure supporting documentation was maintained related to the reimbursement requests and expenditures identified in the *Condition*.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation and to the Cooperative. Additionally, the failure to maintain supporting documentation prevented the determination of the School Corporation's compliance related to the reimbursement requests and expenditures identified in the *Condition*.

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Cash Management compliance requirement. Additionally, we recommended that management of the School Corporation and the Cooperative establish controls to ensure supporting documentation is maintained.

Views of Responsible Officials

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

FINDING 2016-008

Subject: Special Education Cluster (IDEA) - Period of Performance

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): 14214-016-PN01, 14215-016-PN01,
14216-014-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Performance

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation was a participating member school corporation of the Elkhart County Special Education Cooperative (Cooperative), a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The Goshen Community Schools (GCS) was the administrator of the Cooperative. Because the grant agreements were between the Indiana Department of Education and each member 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 School Corporation and at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement. There were no controls in place to ensure that all expenditures charged to the grant fund were obligated within the Period of Performance. Expenditures charged by the Cooperative to the Special Education Cluster (IDEA) were paid with no supporting documentation to determine if expenditures were within the Period of Performance.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Additionally, documentation was not provided to support the expenditures identified in the *Condition*.

CONCORD 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). . . ."

34 CFR 80.23 states:

"(a) *General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

(b) *Liquidation of obligations.* A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee."

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;
- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The School Corporation had not established an effective internal control system that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement. Additionally, an effective internal control system had not been established to ensure supporting documentation was maintained related to the expenditures identified in the *Condition*.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation and to the Cooperative. Additionally, the failure to maintain supporting documentation prevented the determination of the School Corporation's compliance related to the expenditures identified in the *Condition*.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Period of Performance compliance requirement. Additionally, we recommended that management of the School Corporation and the Cooperative establish controls to ensure supporting documentation is maintained.

Views of Responsible Officials

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

FINDING 2016-009

Subject: Special Education Cluster (IDEA) - 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): 14214-016-PN01, 14215-016-PN01,
14216-014-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation was a participating member school corporation of the Elkhart County Special Education Cooperative (Cooperative), a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The Goshen Community Schools (GCS) was the administrator of the Cooperative. Because the grant agreements were between the Indiana Department of Education and each member of the Cooperative, each member school corporation was ultimately

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

responsible for ensuring compliance with the requirements. An effective internal control system was not in place at the School Corporation and at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. There were no controls in place to ensure that all expenditures charged to the grant fund were reported correctly.

The Cooperative, who requested funds on behalf of its member school corporations (members), did not provide any documentation supporting its reimbursement requests and were submitted without an oversight, review, or approval process to ensure they were accurate and in compliance with the Reporting compliance requirement. In addition, the Cooperative prepared and submitted the final reports for its members without an oversight, review, or approval process to ensure they were accurate and in compliance with the Reporting compliance requirement.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Additionally, documentation was not provided to support the reimbursement requests and expenditures identified in the *Condition*.

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). . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

The School Corporation had not established a proper internal control structure that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. A lack of segregation of duties within an internal control system 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 programs. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation and to the Cooperative. Additionally, the failure to maintain supporting documentation prevented the determination of the School Corporation's compliance related to reporting identified in the *Condition*.

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. Additionally, we recommended that management of the School Corporation establish controls to ensure supporting documentation is maintained.

Views of Responsible Officials

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

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2016-010

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed and Allowable Costs/Cost Principles
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): 14-2270, 15-2270, 16-2270
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Finding: Material Weakness

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Specialist processed and completed all functions of payroll processing activities without documented oversight by a second employee to ensure that payroll was properly calculated and charged to the appropriate fund, and that the employer's contribution for employee benefits was accurately charged to an appropriate fund.

Context

The lack of controls was a systemic issue. There were no documented controls over the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements 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). . . ."

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles 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 2016-011

Subject: English Language Acquisition State Grants - Activities Allowed
or Unallowed and Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: English Language Acquisition State Grants

CFDA Number: 84.365

Federal Award Numbers and Years (or Other Identifying Numbers): 01114-013-PN01, 01115-013-PN01,
01116-019-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Finding: Material Weakness

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Specialist processed and completed all functions of payroll processing activities without documented oversight by a second employee to ensure payroll was properly calculated and charged to the appropriate fund, and that the employer's contribution for employee benefits was accurately charged to an appropriate fund.

CONCORD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

The lack of controls was a systemic issue. There were no documented controls over the compliance requirements listed in the *Condition* 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

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



Concord Community Schools

59040 Minuteman Way * Elkhart, IN 46517-3499 * 574-875-5161 * Fax:574-875-8762
Web:www.concord.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Fiscal year in which the finding initially occurred: 2012-2014

Contact Person Responsible for Corrective Action: Constance Crum through 2015/now Becky Smith/Susan Oakley

Contact Phone Number: 574-875-5161

Status of Audit Finding:

An internal monitoring system has been established whereby more than one employee oversees payroll, expenditure, and receipt functions. Payroll reports/vouchers are submitted to the Board of School Trustees regularly. Currently, there are 4 individuals now that either initialize the transactions and the others oversees and/or approves; CFO, Corporation Treasurer, Deputy Treasurer, and Payroll Specialist.

FINDING 2014-002 – INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal year in which the finding initially occurred: 2012-2014

Contact Person Responsible for Corrective Action: Constance Crum through 2015/now Becky Smith/Susan Oakley

Contact Phone Number: 574-875-5161

Status of Audit Finding:

The Schedule of Expenditures of Federal Awards is reviewed by a second individual after it has been prepared and before it is submitted. Currently, there are 3 individuals now that either initialize the grant transactions/reports and the others oversees and/or approves; CFO, Corporation Treasurer, Grant Coordinator.

FINDING 2014-003 – CASH MANAGEMENT AND REPORTING

Fiscal year in which the finding initially occurred: 2012-2014

Federal Agency: Department of Education

Federal Programs: Title I Grants; ARRA – Title I, Recovery Act; Special Education Grants; Education Jobs Fund

Contact Person Responsible for Corrective Action: Constance Crum through 2015/now Becky Smith/Susan Oakley

Contact Phone Number: 574-875-5161

Status of Audit Finding:

The school corporation currently has oversight procedures in place. The Corporation Treasurer prepares requests and reports and both the CFO and Grant Coordinator reviews before the reports are submitted.

FINDING 2014-004 – ALLOWABLE COSTS

Fiscal year in which the finding initially occurred: 2012-2014
Federal Agency: Department of Education
Federal Program: Special Education – Grants to States
Contact Person Responsible for Corrective Action: Constance Crum through 2015/now Becky Smith/Susan Oakley
Contact Phone Number: 574-875-5161

Status of Audit Finding:
A contract is now completed each year and approved by the school board for contracted work related to the federal special education grant and servicing of private schools.

FINDING 2014-005 – ALLOWABLE COSTS

Fiscal year in which the finding initially occurred: 2012-2014
Federal Agency: Department of Education
Federal Program: Title I Grants
Contact Person Responsible for Corrective Action: Constance Crum through 2015/now Becky Smith/Susan Oakley
Contact Phone Number: 574-875-5161

Status of Audit Finding:
Concord Community Schools returned the unallowable funds and follows the allowable costs compliance requirements of the program.

Becky Smith
(Signature)

Chief Financial Officer
(Title)

2/8/18
(Date)



Concord Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-001

Subject: Financial Transactions and Reporting

Contact Person: Susan Oakley, Corporation Treasurer

Contact Person Information: soakley@concord.k12.in.us

Issue: Deficiencies in Internal Control System

Root Cause: No evidence of 2nd approvals

Views of Responsible Official: We concur with the finding.

An internal monitoring system has been established whereby more than one employee oversees and approves Journal Entries, Payroll Disbursement Process, Self-Insurance Fund Transactions, and Receipts.

Journal Entries:

The Corporation Treasurer initiates journal entries. Chief Financial Officer approves journal entries by initialing paperwork. Corporation Treasurer then enters journal entry into financial system. Month end financial reports that include these results are created by Corporation Treasurer, then approved by Chief Financial Officer, then approved by School Board.

Payroll Disbursement Process:

Payroll Coordinator initiates the processing of payroll. Corporation Treasurer approves time & attendance reconciliations, distribution report, payroll summary report and claims. Accounts Payroll will process the claims. Then the Payroll Summary Report and claims are approved by School Board.

Self-Insurance Fund Transactions:

The self-insurance fund will be established in the new financial software instead of being maintained on an excel spreadsheet. The employee transactions will automatically generate from the payroll processing. Accounts Payable will process the claims. Third party insurance payments will be posted through the journal entry process. Month end reconciliation will be completed by the Corporation Treasurer and approved by the Chief Financial Officer. Then the Claims will be approved by the School Board. This new fund will also be included on the month end financial reports created by Corporation Treasurer, approved by Chief Financial Officer, then approved by School Board.

Receipts:

Money is collected by an employee, recorded for bank depositing, then will be verified & approved by another designated employee. Bank deposit will be processed through the Building's Extra-Curricular Treasurer. Extra-Curricular account deposit ticket and details are verified & approved by another designated employee and receipted by the Extra-Curricular Treasurer. Corporation account deposit tickets and details are sent to Deputy Treasurer to receipt. Month end financial reports that include these results are created by Corporation Treasurer, then approved by Chief Financial Officer, then approved by School Board.

Effective Date: July 1, 2018


(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



Concord Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-002

Subject: Child Nutrition Cluster

Views of Responsible Official: We concur with the finding.

Segregation of Duties and Controls

A Food Service designated employee will approve payroll disbursements. Then will send to Payroll Coordinator to initiate the processing of payroll. Corporation Treasurer approves time & attendance reconciliations, distribution report, payroll summary report and claims. Accounts Payroll will process the claims. Then the Payroll Summary Report and claims are approved by School Board.

Money is collected by an employee, recorded for bank depositing, then will be verified & approved by another designated employee. Bank deposit will be processed through the Building's Extra-Curricular Treasurer. Deposit tickets and details are sent to Deputy Treasurer to receipt. Month end financial reports that include these results are created by Corporation Treasurer, then approved by Chief Financial Officer, then approved by School Board.

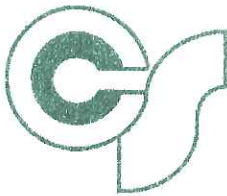
Free and Reduced Price Applications will be initiated by an employee and then will be verified and approved by another designated employee.

Effective Date: July 1, 2018

Susan McOakey
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



Concord Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-003

Subject: Special Education Cluster (IDEA) – Activities Allowed or Unallowed and Reporting

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

Segregation of Duties and Controls

A Special Education designated employee will approve payroll disbursements. Then will send to Payroll Coordinator to initiate the processing of payroll. Corporation Treasurer approves time & attendance reconciliations, distribution report, payroll summary report and claims. Accounts Payroll will process the claims. Then the Payroll Summary Report and claims are approved by School Board.

Reporting

The December 1 child count will be prepared by the Data Manager and then approved by the Special Education Coordinator before the application is submitted.

Effective Date: July 1, 2018

Susan McDakly
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



Concord Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-004

Subject: Special Education Cluster (IDEA) – Allowable Costs/Cost Principles

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

Segregation of Duties and Controls

A Special Education designated employee will approve payroll disbursements. Then will send to Payroll Coordinator to initiate the processing of payroll. Corporation Treasurer approves time & attendance reconciliations, distribution report, payroll summary report and claims. Accounts Payroll will process the claims. Then the Payroll Summary Report and claims are approved by School Board.

Those employees that are not 100% grant funded will complete adequate records of work performed.

Effective Date: Immediately

Suean McCahly
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



Concord Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-005

Subject: Special Education Cluster (IDEA) – Activities Allowed or Unallowed

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

The Elkhart County Special Education Cooperative (ECSEC) is a public schools program serving students with disabilities in Elkhart County. Concord Community Schools is a participating member of the Cooperative. Goshen Community Schools (GCS) is the administrator of the Cooperative.

While Concord Community Schools acknowledges that as a member of the Cooperative they, along with other member schools, are responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants, it should be stated that the shortcomings documented in this finding are of an internal nature at the administrative school (GCS).

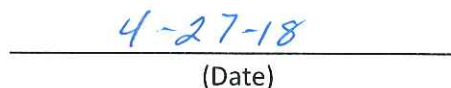
Concord Community Schools will participate regularly in joint meetings to monitor compliance to the best of their ability.

The entire ECSEC operation is going through some transitions. These transitions range from different personnel in place who handle the programs and related grants to the decentralization of some of the programs. Through these transitions, procedures are being upgraded to establish controls for adequate documentation that will ensure compliance with all state and federal guidelines as they relate to the programs. Concord Community Schools business office personnel and our Special Education Coordinator will not only continue to follow established guidelines as they understand them, but will also monitor the related procedures put in place by the administrator (GCS) to the best of their abilities.

Effective Date: Immediately


(Signature)


(Title)


(Date)



Concord Community Schools

59040 Minuteman Way * Elkhart, IN 46517-3499 * 574-875-5161 * Fax:574-875-8762
Web:www.concord.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-006

Subject: Special Education Cluster (IDEA) – Allowable Costs/Cost Principles

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

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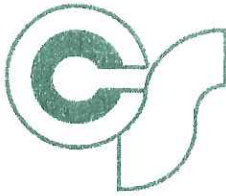
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Effective Date: Immediately

Susan McOahly
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



Concord Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-007

Subject: Special Education Cluster (IDEA) – Cash Management

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

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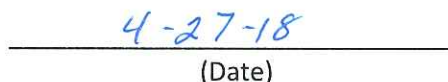
Concord Community Schools will send supporting documentation along with their reimbursement request to the administrative school (GCS).

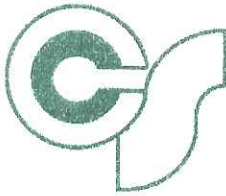
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Effective Date: Immediately


(Signature)


(Title)


(Date)



Concord Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-008

Subject: Special Education Cluster (IDEA) – Period of Performance

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

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Concord Community Schools will establish internal controls to ensure the Period of Performance compliance requirement is met.

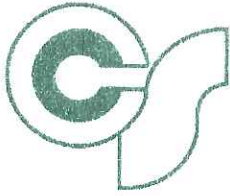
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Effective Date: Immediately

Susan McOakey
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



Concord Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-009

Subject: Special Education Cluster (IDEA) – Reporting

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

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While Concord Community Schools acknowledges that as a member of the Cooperative they, along with other member schools, are responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants, it should be stated that the shortcomings documented in this finding are of an internal nature at the administrative school (GCS).

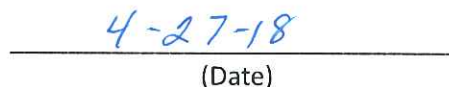
Concord Community Schools will establish internal controls to ensure the Reporting compliance requirement of the grant agreement is met.

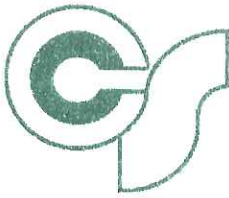
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Effective Date: Immediately


(Signature)


(Title)


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CORRECTIVE ACTION PLAN

FINDING 2016-0010

Subject: Title I Grants to Local Educational Agencies – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

CFDA#: 84.010

Views of Responsible Official: We concur with the finding.

Segregation of Duties and Controls

The Grant Coordinator will approve initial payroll distributions. Then buildings will send approved disbursements to Payroll Coordinator to initiate the processing of payroll. Corporation Treasurer approves time & attendance reconciliations, distribution report, payroll summary report and claims. Accounts Payroll will process the claims. Then the Payroll Summary Report and claims are approved by School Board.

Effective Date: Immediately

Susan M Oakley
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-0011

Subject: English Language Acquisition State Grants – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

CFDA#: 84.365

Views of Responsible Official: We concur with the finding.

Segregation of Duties and Controls

The Grant Coordinator will approve initial payroll distributions. Then buildings will send approved disbursements to Payroll Coordinator to initiate the processing of payroll. Corporation Treasurer approves time & attendance reconciliations, distribution report, payroll summary report and claims. Accounts Payroll will process the claims. Then the Payroll Summary Report and claims are approved by School Board.

Effective Date: Immediately

Susan M Oakley
(Signature)

Corp. Treasurer
(Title)

4-27-18
(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/>.