

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

BARR-REEVE COMMUNITY SCHOOLS, INC.
DAVISS COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
05/25/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---|--|
| Treasurer | Mary Lottes Tamara Swartzentruber | 07-01-14 to 12-31-16 01-01-17 to 12-31-18 |
| Superintendent of Schools | Travis Madison | 07-01-14 to 06-30-20 |
| President of the School Board | Scott Lottes Galen Graber Ronald Boyd Lana Helms Alex Knepp | 07-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 |



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE BARR-REEVE COMMUNITY
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Barr-Reeve Community Schools, Inc. (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 April 10, 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

April 10, 2018



STATE OF INDIANA
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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 BARR-REEVE COMMUNITY
SCHOOLS, INC., DAVIESS 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 Barr-Reeve Community Schools, Inc. (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 April 10, 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 material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 items 2016-001 and 2016-002, to be material weaknesses.

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

Compliance and Other Matters


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

Barr-Reeve Community Schools, Inc.'s Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

April 10, 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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BARR-REEVE COMMUNITY SCHOOLS, INC.
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 | \$ 144,035 | \$ 4,522,936 | \$ 4,399,967 | \$ - | \$ 267,004 | \$ 4,805,765 | \$ 4,655,172 | \$ (15,073) | \$ 402,524 |
| Referendum Tax Levy | 52,879 | 1,037,397 | 923,753 | - | 166,523 | 1,099,743 | 974,234 | - | 292,032 |
| Debt Service | 169,879 | 89,488 | 144,863 | - | 114,504 | 166,469 | 187,342 | - | 93,631 |
| Retirement/Severance Bond Debt Service | 28,182 | 254,715 | 250,909 | - | 31,988 | 235,336 | 241,264 | - | 26,060 |
| Capital Projects | 154,844 | 668,116 | 595,440 | (70,000) | 157,520 | 664,305 | 688,139 | - | 133,686 |
| School Transportation | 278,832 | 543,652 | 405,190 | (80,000) | 337,294 | 555,796 | 453,986 | (150,000) | 289,104 |
| School Bus Replacement | 15,881 | - | - | - | 15,881 | - | - | - | 15,881 |
| Rainy Day | 70,768 | 110,616 | 83,032 | 159,000 | 257,352 | 36,289 | 72,897 | 150,000 | 370,744 |
| School Lunch | 1,510 | 339,352 | 340,862 | - | - | 337,869 | 352,859 | 15,500 | 510 |
| Textbook Rental | 80,252 | 121,156 | 83,439 | - | 117,969 | 116,820 | 51,756 | - | 183,033 |
| Self-Insurance | 1,050,353 | 1,042,298 | 934,526 | - | 1,158,125 | 1,047,029 | 986,790 | - | 1,218,364 |
| Educational License Plates | 3,825 | 113 | - | - | 3,938 | 37 | - | - | 3,975 |
| 2012 DC Community Foundation Grant | 562 | - | - | - | 562 | - | - | - | 562 |
| DC Youth Council Grant | 1,000 | - | - | - | 1,000 | - | - | - | 1,000 |
| Walmart Library Grant | 497 | - | 497 | - | - | - | - | - | - |
| Formative Assessment | - | - | - | - | - | 11,011 | 7,614 | - | 3,397 |
| Secured Schools Safety Grant | - | 8,902 | 8,902 | - | - | 6,098 | 6,098 | - | - |
| School Technology | 37,088 | 15,595 | 20,946 | - | 31,737 | 10,686 | 27,486 | - | 14,937 |
| Performance Based Awards | - | 40,215 | 40,215 | - | - | - | - | - | - |
| 2014-2015 HAL Grant | - | 27,127 | 18,440 | - | 8,687 | - | 8,687 | - | - |
| 2015-2016 HAL Grant | - | - | - | - | - | 27,941 | 20,392 | - | 7,549 |
| 2013-2014 HAL Grant | 339 | - | 339 | - | - | - | - | - | - |
| Excess PTRC Distributions | - | 34 | - | - | 34 | - | - | - | 34 |
| 2013-2014 Title I | (21,460) | 102,937 | 81,477 | - | - | - | - | - | - |
| 2014-2015 Title I | - | 273,061 | 285,965 | - | (12,904) | 102,603 | 89,699 | - | - |
| 2015-2016 Title I | - | - | - | - | - | 246,467 | 256,398 | - | (9,931) |
| 2012-2013 Title II, Part A | - | 442 | 442 | - | - | - | - | - | - |
| 2013-2014 Title II, Part A | (1,348) | 13,551 | 12,203 | - | - | 4,801 | 4,801 | - | - |
| 2014-2015 Title II, Part A | - | 35,526 | 36,872 | - | (1,346) | 20,554 | 19,208 | - | - |
| 2015-2016 Title II, Part A | - | - | - | - | - | 56,576 | 57,105 | - | (529) |
| FY 15 Rural Schools and Low Income Program | - | - | - | - | - | 1,190 | 5,600 | - | (4,410) |
| FY 13 Rural Schools and Low Income Program | - | 5,471 | 5,471 | - | - | - | - | - | - |
| FY 14 Rural Schools and Low Income Program | - | 84 | 84 | - | - | 12,595 | 13,018 | - | (423) |
| Prepaid Foods | 7,198 | 515 | 420 | - | 7,293 | 1,162 | 1,171 | - | 7,284 |
| Federal Tax | - | 383,090 | 383,090 | - | - | 398,408 | 398,408 | - | - |
| Social Security | - | 293,159 | 293,159 | - | - | 302,033 | 302,033 | - | - |
| State Tax | - | 127,617 | 127,617 | - | - | 129,946 | 129,946 | - | - |
| County Tax | - | 62,281 | 62,281 | - | - | 64,589 | 64,589 | - | - |
| PERF - Voluntary | - | 12,573 | 12,573 | - | - | 14,012 | 14,012 | - | - |
| TRF - Voluntary Deductions | - | 2,333 | 2,333 | - | - | 3,003 | 3,003 | - | - |
| Group Health Insurance | - | 166,728 | 166,728 | - | - | 143,586 | 143,586 | - | - |
| Annuities | - | 91,012 | 91,012 | - | - | 81,168 | 81,168 | - | - |
| American Fidelity/AFLAC | - | 52,374 | 52,374 | - | - | 57,034 | 57,034 | - | - |
| Garnishment | - | 3,097 | 3,097 | - | - | - | - | - | - |
| ISTA Dues | - | 4,881 | 4,881 | - | - | 5,098 | 5,098 | - | - |
| United Way | - | 184 | 184 | - | - | 128 | 128 | - | - |
| AFLAC Flex Account | - | 21,496 | 21,496 | - | - | 25,137 | 25,137 | - | - |
| Receipts & Services from ECA | - | 10,418 | 10,418 | - | - | 12,854 | 12,854 | - | - |
| Fringe Benefits | - | 1,440 | 1,440 | - | - | 720 | 720 | - | - |
| Perform Award Payroll | - | 6,281 | 6,281 | - | - | - | - | - | - |
| HSA Contributions | - | 2,460 | 2,460 | - | - | 8,968 | 8,968 | - | - |
| GTL Clearing Accounts | - | 11,595 | 11,595 | - | - | 10,725 | 10,725 | - | - |
| Totals | \$ 2,075,116 | \$ 10,506,318 | \$ 9,927,273 | \$ 9,000 | \$ 2,663,161 | \$ 10,824,551 | \$ 10,439,125 | \$ 427 | \$ 3,049,014 |

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

BARR-REEVE COMMUNITY SCHOOLS, INC.
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.

BARR-REEVE COMMUNITY SCHOOLS, INC.
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.

BARR-REEVE COMMUNITY SCHOOLS, INC.
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.

BARR-REEVE COMMUNITY SCHOOLS, INC.
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

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Funding Policy and Annual Pension Cost

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

C. Additional Pension Plan

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

Note 7. Cash Balance Deficits

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

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with Barr-Reeve Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2015 and 2016 totaled \$146,396 and \$160,661, respectively.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Events

On December 28, 2017, the Barr-Reeve Community School Building Corporation (Building Corporation) issued \$6,000,000 of Qualified Zone Academy Bonds for purposes of renovation and improvements to the Barr-Reeve Elementary and Jr.-Sr. High Schools. The School Corporation entered into a 19-year lease agreement with the Building Corporation with biennial payment terms. The final lease payment is due on December 31, 2036.

Note 10. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses the following benefits: single dental, single vision, and \$105,000 in life insurance plus AD&D are paid by the School Corporation for each individual retiree until they are eligible for Medicare. Family coverage is available under the dental and vision plans if the retiree pays the difference in cost for a family plan. Retirees are eligible to remain on the school health insurance plan until they are eligible for Medicare. All health insurance premiums are the responsibility of the retiree. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://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.

BARR-REEVE COMMUNITY SCHOOLS, INC.
 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 | School Lunch |
|---|-------------------|---------------------------|-------------------|---|---------------------|--------------------------|------------------------------|-------------------|-----------------|
| Cash and investments - beginning | \$ 144,035 | \$ 52,879 | \$ 169,879 | \$ 28,182 | \$ 154,844 | \$ 278,832 | \$ 15,881 | \$ 70,768 | \$ 1,510 |
| Receipts: | | | | | | | | | |
| Local sources | 41,554 | 1,037,397 | 89,488 | 254,715 | 668,116 | 543,652 | - | - | 227,637 |
| Intermediate sources | 12 | - | - | - | - | - | - | - | - |
| State sources | 4,481,370 | - | - | - | - | - | - | - | 4,727 |
| Federal sources | - | - | - | - | - | - | - | 110,616 | 106,988 |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | <u>4,522,936</u> | <u>1,037,397</u> | <u>89,488</u> | <u>254,715</u> | <u>668,116</u> | <u>543,652</u> | <u>-</u> | <u>110,616</u> | <u>339,352</u> |
| Disbursements: | | | | | | | | | |
| Instruction | 3,030,461 | 693,207 | - | - | - | - | - | - | - |
| Support services | 1,369,506 | 89,600 | - | - | 415,572 | 405,190 | - | 70,766 | - |
| Noninstructional services | - | 140,946 | - | - | - | - | - | - | 340,862 |
| Facilities acquisition and construction | - | - | - | - | 179,868 | - | - | 12,266 | - |
| Debt service | - | - | 144,863 | 250,909 | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | <u>4,399,967</u> | <u>923,753</u> | <u>144,863</u> | <u>250,909</u> | <u>595,440</u> | <u>405,190</u> | <u>-</u> | <u>83,032</u> | <u>340,862</u> |
| Excess (deficiency) of receipts over disbursements | <u>122,969</u> | <u>113,644</u> | <u>(55,375)</u> | <u>3,806</u> | <u>72,676</u> | <u>138,462</u> | <u>-</u> | <u>27,584</u> | <u>(1,510)</u> |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | 9,000 | - |
| Transfers in | - | - | - | - | - | - | - | 150,000 | - |
| Transfers out | - | - | - | - | (70,000) | (80,000) | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(70,000)</u> | <u>(80,000)</u> | <u>-</u> | <u>159,000</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>122,969</u> | <u>113,644</u> | <u>(55,375)</u> | <u>3,806</u> | <u>2,676</u> | <u>58,462</u> | <u>-</u> | <u>186,584</u> | <u>(1,510)</u> |
| Cash and investments - ending | \$ <u>267,004</u> | \$ <u>166,523</u> | \$ <u>114,504</u> | \$ <u>31,988</u> | \$ <u>157,520</u> | \$ <u>337,294</u> | \$ <u>15,881</u> | \$ <u>257,352</u> | \$ <u>-</u> |

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

| | Textbook Rental | Self- Insurance | Educational License Plates | 2012 DC Community Foundation Grant | DC Youth Council Grant | Walmart Library Grant | Formative Assessment | Secured Schools Safety Grant | School Technology |
|---|--------------------|--------------------|----------------------------------|---|------------------------------|-----------------------------|-------------------------|---------------------------------------|----------------------|
| Cash and investments - beginning | \$ 80,252 | \$ 1,050,353 | \$ 3,825 | \$ 562 | \$ 1,000 | \$ 497 | \$ - | \$ - | \$ 37,088 |
| Receipts: | | | | | | | | | |
| Local sources | 93,751 | 1,042,298 | - | - | - | - | - | - | 8,446 |
| Intermediate sources | - | - | 113 | - | - | - | - | - | - |
| State sources | 27,405 | - | - | - | - | - | - | - | 7,149 |
| Federal sources | - | - | - | - | - | - | - | 8,902 | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 121,156 | 1,042,298 | 113 | - | - | - | - | 8,902 | 15,595 |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | - | - |
| Support services | 83,439 | 536,441 | - | - | - | 497 | - | 2,335 | 20,946 |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | 6,567 | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | 398,085 | - | - | - | - | - | - | - |
| Total disbursements | 83,439 | 934,526 | - | - | - | 497 | - | 8,902 | 20,946 |
| Excess (deficiency) of receipts over disbursements | 37,717 | 107,772 | 113 | - | - | (497) | - | - | (5,351) |
| 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 | 37,717 | 107,772 | 113 | - | - | (497) | - | - | (5,351) |
| Cash and investments - ending | \$ 117,969 | \$ 1,158,125 | \$ 3,938 | \$ 562 | \$ 1,000 | \$ - | \$ - | \$ - | \$ 31,737 |

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

| | Performance Based Awards | 2014-2015 HAL Grant | 2015-2016 HAL Grant | 2013-2014 HAL Grant | Excess PTRC Distributions | 2013-2014 Title I | 2014-2015 Title I | 2015-2016 Title I | 2012-2013 Title II, Part A |
|---|--------------------------------|------------------------|------------------------|------------------------|---------------------------------|----------------------|----------------------|----------------------|-------------------------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ 339 | \$ - | \$ (21,460) | \$ - | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | - | 34 | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | 40,215 | 27,127 | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | 102,937 | 273,061 | - | 442 |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 40,215 | 27,127 | - | - | 34 | 102,937 | 273,061 | - | 442 |
| Disbursements: | | | | | | | | | |
| Instruction | 40,215 | 18,440 | - | 339 | - | 59,951 | 247,226 | - | - |
| Support services | - | - | - | - | - | 21,526 | 35,853 | - | 442 |
| Noninstructional services | - | - | - | - | - | - | 2,886 | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 40,215 | 18,440 | - | 339 | - | 81,477 | 285,965 | - | 442 |
| Excess (deficiency) of receipts over disbursements | - | 8,687 | - | (339) | 34 | 21,460 | (12,904) | - | - |
| 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 | - | 8,687 | - | (339) | 34 | 21,460 | (12,904) | - | - |
| Cash and investments - ending | \$ - | \$ 8,687 | \$ - | \$ - | \$ 34 | \$ - | \$ (12,904) | \$ - | \$ - |

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

| | 2013-2014 Title II, Part A | 2014-2015 Title II, Part A | 2015-2016 Title II, Part A | FY 15 Rural Schools and Low Income Program | FY 13 Rural Schools and Low Income Program | FY 14 Rural Schools and Low Income Program | Prepaid Foods | Federal Tax | Social Security |
|---|-------------------------------|-------------------------------|-------------------------------|---|---|---|------------------|----------------|--------------------|
| Cash and investments - beginning | \$ (1,348) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,198 | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | - | - | - | 515 | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | - | - |
| Federal sources | 13,551 | 35,526 | - | - | 5,471 | 84 | - | - | - |
| Other receipts | - | - | - | - | - | - | - | 383,090 | 293,159 |
| Total receipts | 13,551 | 35,526 | - | - | 5,471 | 84 | 515 | 383,090 | 293,159 |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | - | 5,471 | 84 | - | - | - |
| Support services | 12,203 | 36,872 | - | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | 420 | 383,090 | 293,159 |
| Total disbursements | 12,203 | 36,872 | - | - | 5,471 | 84 | 420 | 383,090 | 293,159 |
| Excess (deficiency) of receipts over disbursements | 1,348 | (1,346) | - | - | - | - | 95 | - | - |
| 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 | 1,348 | (1,346) | - | - | - | - | 95 | - | - |
| Cash and investments - ending | \$ - | \$ (1,346) | \$ - | \$ - | \$ - | \$ - | \$ 7,293 | \$ - | \$ - |

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

| | State Tax | County Tax | PERF - Voluntary | TRF - Voluntary Deductions | Group Health Insurance | Annuities | American Fidelity/ AFLAC | Garnishment | ISTA Dues |
|---|--------------|---------------|---------------------|-------------------------------|---------------------------|-----------|--------------------------------|-------------|--------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other receipts | 127,617 | 62,281 | 12,573 | 2,333 | 166,728 | 91,012 | 52,374 | 3,097 | 4,881 |
| Total receipts | 127,617 | 62,281 | 12,573 | 2,333 | 166,728 | 91,012 | 52,374 | 3,097 | 4,881 |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | - | - |
| Support services | - | - | - | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | 127,617 | 62,281 | 12,573 | 2,333 | 166,728 | 91,012 | 52,374 | 3,097 | 4,881 |
| Total disbursements | 127,617 | 62,281 | 12,573 | 2,333 | 166,728 | 91,012 | 52,374 | 3,097 | 4,881 |
| Excess (deficiency) of receipts over disbursements | - | - | - | - | - | - | - | - | - |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | - | - | - | - | - | - | - |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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

| | United Way | AFLAC Flex Account | Receipts & Services from ECA | Fringe Benefits | Perform Award Payroll | HSA Contributions | GTL Clearing Accounts | Totals |
|---|---------------|-----------------------|------------------------------------|--------------------|--------------------------|----------------------|--------------------------|--------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,075,116 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | 4,007,603 |
| Intermediate sources | - | - | - | - | - | - | - | 125 |
| State sources | - | - | - | - | - | - | - | 4,587,993 |
| Federal sources | - | - | - | - | - | - | - | 657,578 |
| Other receipts | 184 | 21,496 | 10,418 | 1,440 | 6,281 | 2,460 | 11,595 | 1,253,019 |
| Total receipts | 184 | 21,496 | 10,418 | 1,440 | 6,281 | 2,460 | 11,595 | 10,506,318 |
| Disbursements: | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | 4,095,394 |
| Support services | - | - | - | - | - | - | - | 3,101,188 |
| Noninstructional services | - | - | - | - | - | - | - | 484,694 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | 198,701 |
| Debt service | - | - | - | - | - | - | - | 395,772 |
| Nonprogrammed charges | 184 | 21,496 | 10,418 | 1,440 | 6,281 | 2,460 | 11,595 | 1,651,524 |
| Total disbursements | 184 | 21,496 | 10,418 | 1,440 | 6,281 | 2,460 | 11,595 | 9,927,273 |
| Excess (deficiency) of receipts over disbursements | - | - | - | - | - | - | - | 579,045 |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | 9,000 |
| Transfers in | - | - | - | - | - | - | - | 150,000 |
| Transfers out | - | - | - | - | - | - | - | (150,000) |
| Total other financing sources (uses) | - | - | - | - | - | - | - | 9,000 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | - | - | - | - | - | 588,045 |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,663,161 |

BARR-REEVE COMMUNITY SCHOOLS, INC.
 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 | School Lunch |
|---|-------------------|---------------------------|------------------|---|---------------------|--------------------------|------------------------------|-------------------|-----------------|
| Cash and investments - beginning | \$ 267,004 | \$ 166,523 | \$ 114,504 | \$ 31,988 | \$ 157,520 | \$ 337,294 | \$ 15,881 | \$ 257,352 | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | 46,189 | 1,099,743 | 166,469 | 235,336 | 648,631 | 555,796 | - | 36,289 | 206,914 |
| Intermediate sources | 13 | - | - | - | - | - | - | - | - |
| State sources | 4,759,563 | - | - | - | - | - | - | - | 4,974 |
| Federal sources | - | - | - | - | - | - | - | - | 125,981 |
| Other receipts | - | - | - | - | 15,674 | - | - | - | - |
| Total receipts | <u>4,805,765</u> | <u>1,099,743</u> | <u>166,469</u> | <u>235,336</u> | <u>664,305</u> | <u>555,796</u> | <u>-</u> | <u>36,289</u> | <u>337,869</u> |
| Disbursements: | | | | | | | | | |
| Instruction | 3,142,851 | 713,078 | - | - | - | - | - | 29,715 | - |
| Support services | 1,512,321 | 115,568 | - | - | 467,262 | 453,986 | - | 38,274 | - |
| Noninstructional services | - | 145,588 | - | - | - | - | - | - | 352,859 |
| Facilities acquisition and construction | - | - | - | - | 220,877 | - | - | 4,908 | - |
| Debt service | - | - | 187,342 | 241,264 | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | <u>4,655,172</u> | <u>974,234</u> | <u>187,342</u> | <u>241,264</u> | <u>688,139</u> | <u>453,986</u> | <u>-</u> | <u>72,897</u> | <u>352,859</u> |
| Excess (deficiency) of receipts over disbursements | <u>150,593</u> | <u>125,509</u> | <u>(20,873)</u> | <u>(5,928)</u> | <u>(23,834)</u> | <u>101,810</u> | <u>-</u> | <u>(36,608)</u> | <u>(14,990)</u> |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | 427 | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | 150,000 | 15,500 |
| Transfers out | (15,500) | - | - | - | - | (150,000) | - | - | - |
| Total other financing sources (uses) | <u>(15,073)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(150,000)</u> | <u>-</u> | <u>150,000</u> | <u>15,500</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>135,520</u> | <u>125,509</u> | <u>(20,873)</u> | <u>(5,928)</u> | <u>(23,834)</u> | <u>(48,190)</u> | <u>-</u> | <u>113,392</u> | <u>510</u> |
| Cash and investments - ending | \$ <u>402,524</u> | \$ <u>292,032</u> | \$ <u>93,631</u> | \$ <u>26,060</u> | \$ <u>133,686</u> | \$ <u>289,104</u> | \$ <u>15,881</u> | \$ <u>370,744</u> | \$ <u>510</u> |

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

| | Textbook Rental | Self- Insurance | Educational License Plates | 2012 DC Community Foundation Grant | DC Youth Council Grant | Walmart Library Grant | Formative Assessment | Secured Schools Safety Grant | School Technology |
|---|--------------------|--------------------|----------------------------------|---|------------------------------|-----------------------------|-------------------------|---------------------------------------|----------------------|
| Cash and investments - beginning | \$ 117,969 | \$ 1,158,125 | \$ 3,938 | \$ 562 | \$ 1,000 | \$ - | \$ - | \$ - | \$ 31,737 |
| Receipts: | | | | | | | | | |
| Local sources | 99,792 | 1,047,029 | - | - | - | - | - | - | 1,962 |
| Intermediate sources | - | - | 37 | - | - | - | - | - | - |
| State sources | 17,028 | - | - | - | - | - | 11,011 | - | 8,724 |
| Federal sources | - | - | - | - | - | - | - | 6,098 | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 116,820 | 1,047,029 | 37 | - | - | - | 11,011 | 6,098 | 10,686 |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | - | - |
| Support services | 51,756 | - | - | - | - | - | 7,614 | - | 27,486 |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | 6,098 | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | 986,790 | - | - | - | - | - | - | - |
| Total disbursements | 51,756 | 986,790 | - | - | - | - | 7,614 | 6,098 | 27,486 |
| Excess (deficiency) of receipts over disbursements | 65,064 | 60,239 | 37 | - | - | - | 3,397 | - | (16,800) |
| 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 | 65,064 | 60,239 | 37 | - | - | - | 3,397 | - | (16,800) |
| Cash and investments - ending | \$ 183,033 | \$ 1,218,364 | \$ 3,975 | \$ 562 | \$ 1,000 | \$ - | \$ 3,397 | \$ - | \$ 14,937 |

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

| | Performance Based Awards | 2014-2015 HAL Grant | 2015-2016 HAL Grant | 2013-2014 HAL Grant | Excess PTRC Distributions | 2013-2014 Title I | 2014-2015 Title I | 2015-2016 Title I | 2012-2013 Title II, Part A |
|---|--------------------------------|------------------------|------------------------|------------------------|---------------------------------|----------------------|----------------------|----------------------|-------------------------------|
| Cash and investments - beginning | \$ - | \$ 8,687 | \$ - | \$ - | \$ 34 | \$ - | \$ (12,904) | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | - | 27,941 | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | 102,603 | 246,467 | - | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | - | - | 27,941 | - | - | 102,603 | 246,467 | - | - |
| Disbursements: | | | | | | | | | |
| Instruction | - | 8,687 | 20,392 | - | - | 80,347 | 227,808 | - | - |
| Support services | - | - | - | - | - | 9,352 | 27,020 | - | - |
| Noninstructional services | - | - | - | - | - | - | 1,570 | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | - | 8,687 | 20,392 | - | - | 89,699 | 256,398 | - | - |
| Excess (deficiency) of receipts over disbursements | - | (8,687) | 7,549 | - | - | 12,904 | (9,931) | - | - |
| 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 | - | (8,687) | 7,549 | - | - | 12,904 | (9,931) | - | - |
| Cash and investments - ending | \$ - | \$ - | \$ 7,549 | \$ - | \$ 34 | \$ - | \$ - | \$ (9,931) | \$ - |

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

| | 2013-2014 Title II, Part A | 2014-2015 Title II, Part A | 2015-2016 Title II, Part A | FY 15 Rural Schools and Low Income Program | FY 13 Rural Schools and Low Income Program | FY 14 Rural Schools and Low Income Program | Prepaid Foods | Federal Tax | Social Security |
|---|-------------------------------|-------------------------------|-------------------------------|---|---|---|------------------|----------------|--------------------|
| Cash and investments - beginning | \$ - | \$ (1,346) | \$ - | \$ - | \$ - | \$ - | \$ 7,293 | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | - | - | - | 1,162 | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | - | - |
| Federal sources | 4,801 | 20,554 | 56,576 | 1,190 | - | 12,595 | - | - | - |
| Other receipts | - | - | - | - | - | - | - | 398,408 | 302,033 |
| Total receipts | 4,801 | 20,554 | 56,576 | 1,190 | - | 12,595 | 1,162 | 398,408 | 302,033 |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | 5,600 | - | 1,091 | - | - | - |
| Support services | 4,801 | 19,208 | 57,105 | - | - | 6,427 | - | - | - |
| Noninstructional services | - | - | - | - | - | 5,500 | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | 1,171 | 398,408 | 302,033 |
| Total disbursements | 4,801 | 19,208 | 57,105 | 5,600 | - | 13,018 | 1,171 | 398,408 | 302,033 |
| Excess (deficiency) of receipts over disbursements | - | 1,346 | (529) | (4,410) | - | (423) | (9) | - | - |
| 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 | - | 1,346 | (529) | (4,410) | - | (423) | (9) | - | - |
| Cash and investments - ending | \$ - | \$ - | \$ (529) | \$ (4,410) | \$ - | \$ (423) | \$ 7,284 | \$ - | \$ - |

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

| | State Tax | County Tax | PERF - Voluntary | TRF - Voluntary Deductions | Group Health Insurance | Annuities | American Fidelity/ AFLAC | Garnishment | ISTA Dues |
|---|--------------|---------------|---------------------|-------------------------------|---------------------------|-----------|--------------------------------|-------------|--------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other receipts | 129,946 | 64,589 | 14,012 | 3,003 | 143,586 | 81,168 | 57,034 | - | 5,098 |
| Total receipts | 129,946 | 64,589 | 14,012 | 3,003 | 143,586 | 81,168 | 57,034 | - | 5,098 |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | - | - |
| Support services | - | - | - | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | 129,946 | 64,589 | 14,012 | 3,003 | 143,586 | 81,168 | 57,034 | - | 5,098 |
| Total disbursements | 129,946 | 64,589 | 14,012 | 3,003 | 143,586 | 81,168 | 57,034 | - | 5,098 |
| Excess (deficiency) of receipts over disbursements | - | - | - | - | - | - | - | - | - |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | - | - | - | - | - | - | - |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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

| | United Way | AFLAC Flex Account | Receipts & Services from ECA | Fringe Benefits | Perform Award Payroll | HSA Contributions | GTL Clearing Accounts | Totals |
|---|---------------|-----------------------|------------------------------------|--------------------|--------------------------|----------------------|--------------------------|--------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,663,161 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | 4,145,312 |
| Intermediate sources | - | - | - | - | - | - | - | 50 |
| State sources | - | - | - | - | - | - | - | 4,829,241 |
| Federal sources | - | - | - | - | - | - | - | 576,865 |
| Other receipts | 128 | 25,137 | 12,854 | 720 | - | 8,968 | 10,725 | 1,273,083 |
| Total receipts | 128 | 25,137 | 12,854 | 720 | - | 8,968 | 10,725 | 10,824,551 |
| Disbursements: | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | 4,229,569 |
| Support services | - | - | - | - | - | - | - | 2,798,180 |
| Noninstructional services | - | - | - | - | - | - | - | 505,517 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | 231,883 |
| Debt service | - | - | - | - | - | - | - | 428,606 |
| Nonprogrammed charges | 128 | 25,137 | 12,854 | 720 | - | 8,968 | 10,725 | 2,245,370 |
| Total disbursements | 128 | 25,137 | 12,854 | 720 | - | 8,968 | 10,725 | 10,439,125 |
| Excess (deficiency) of receipts over disbursements | - | - | - | - | - | - | - | 385,426 |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | 427 |
| Transfers in | - | - | - | - | - | - | - | 165,500 |
| Transfers out | - | - | - | - | - | - | - | (165,500) |
| Total other financing sources (uses) | - | - | - | - | - | - | - | 427 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | - | - | - | - | - | 385,853 |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,049,014 |

BARR-REEVE COMMUNITY SCHOOLS, INC.
 SCHEDULE OF LEASES AND DEBT
 June 30, 2016

| Lessor | Purpose | Annual Lease Payment | Lease Beginning Date | Lease Ending Date |
|--|--|----------------------------|----------------------------|-------------------------|
| Governmental activities: | | | | |
| HP Financial Services | Chromebooks | \$ 7,515 | 8/8/2014 | 5/8/2017 |
| HP Financial Services | Student Chromebooks | 52,345 | 6/30/2016 | 6/30/2018 |
| Barr-Reeve Community School Building Corporation | Barr-Reeve Jr./Sr. High School Renovations | <u>165,338</u> | 7/1/2012 | 1/1/2026 |
| Total governmental activities | | <u>225,198</u> | | |
| Total of annual lease payments | | <u>\$ 225,198</u> | | |

| Description of Debt | | Ending Principal Balance | Principal and Interest Due Within One Year |
|-------------------------------|---------------------------|--------------------------------|---|
| Type | Purpose | | |
| Governmental activities: | | | |
| General obligation bonds | Retirement/Severance Bond | \$ 720,000 | \$ 225,593 |
| Total governmental activities | | <u>720,000</u> | <u>225,593</u> |
| Totals | | <u>\$ 720,000</u> | <u>\$ 225,593</u> |

BARR-REEVE COMMUNITY SCHOOLS, INC.
 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 | \$ 158,251 |
| Buildings | 10,033,011 |
| Improvements other than buildings | 1,128,137 |
| Machinery, equipment, and vehicles | <u>1,401,608</u> |
| Total governmental activities | <u>12,721,007</u> |
| Total capital assets | <u>\$ 12,721,007</u> |

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE BARR-REEVE COMMUNITY
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Barr-Reeve Community Schools, Inc.'s (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-005, 2016-006, 2016-007, and 2016-008. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

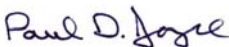
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, and 2016-008, 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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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BARR-REEVE COMMUNITY SCHOOLS, INC.
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 |
|---|-------------------------------------|---------------------------|--|---|---|---|---|
| Department of Agriculture | | | | | | | |
| Child Nutrition Cluster | | | | | | | |
| School Breakfast Program | Indiana Department of Education | 10.553 | FY 14-15 FY 15-16 | \$ - - | \$ 7,663 - | \$ - - | \$ - 9,530 |
| Total - School Breakfast Program | | | | - | 7,663 | - | 9,530 |
| National School Lunch Program | Indiana Department of Education | 10.555 | FY 14-15 FY 15-16 | - - | 99,325 - | - - | - 116,451 |
| National School Lunch Program - Commodities | Indiana Department of Education | 10.555 | FY 14-15 FY 15-16 | - - | 20,230 - | - - | - 20,621 |
| Total - National School Lunch Program | | | | - | 119,555 | - | 137,072 |
| Total - Child Nutrition Cluster | | | | - | 127,218 | - | 146,602 |
| Total - Department of Agriculture | | | | - | 127,218 | - | 146,602 |
| Department of Education | | | | | | | |
| Special Education Cluster (IDEA) | | | | | | | |
| Special Education_Grants to States | Indiana Department of Education | 84.027 | 14213-009-PN01 14214-009-PN01 14215-009-PN01 14216-007-PN01 99914-009-TA01 | - - - - - | 2,357 56,928 88,760 - 1,607 | - - - - - | - 1,959 77,186 80,767 946 |
| Total - Special Education_Grants to States | | | | - | 149,652 | - | 160,858 |
| Special Education_Preschool Grants | Indiana Department of Education | 84.173 | 45715-009-PN01 45716-007-PN01 | - - | 4,646 - | - - | 54 4,736 |
| Total - Special Education_Preschool Grants | | | | - | 4,646 | - | 4,790 |
| Total - Special Education Cluster (IDEA) | | | | - | 154,298 | - | 165,648 |
| Title I Grants to Local Educational Agencies | Indiana Department of Education | 84.010 | FY 13-14 FY 14-15 FY 15-16 | - - - | 102,937 273,061 - | - - - | - 102,603 246,467 |
| Total - Title I Grants to Local Educational Agencies | | | | - | 375,998 | - | 349,070 |
| Rural Education | | | | | | | |
| Rural & Low Income Schools Grant | Indiana Department of Education | 84.358 | FY 13-14 FY 14-15 FY 15-16 | - - - | 5,471 84 - | - - - | - 12,595 1,190 |
| Total - Rural Education | | | | - | 5,555 | - | 13,785 |
| Improving Teacher Quality State Grants | Indiana Department of Education | 84.367 | FY 12-13 FY 13-14 FY 14-15 FY 15-16 | - - - - | 442 13,551 35,526 - | - - - - | - 4,801 20,554 56,576 |
| Total - Improving Teacher Quality State Grants | | | | - | 49,519 | - | 81,931 |
| Total - Department of Education | | | | - | 585,370 | - | 610,434 |
| Total federal awards expended | | | | \$ - | \$ 712,588 | \$ - | \$ 757,036 |

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

BARR-REEVE COMMUNITY SCHOOLS, INC.
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 Daviess-Martin Special Education Cooperative (Cooperative). The Cooperative 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 of the School Corporation.

BARR-REEVE COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

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: | |
| Title I Grants to Local Educational Agencies | Unmodified |
| Improving Teacher Quality State Grants | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133? | yes |

Identification of Major Programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------|--|
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.367 | Improving Teacher Quality State 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: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

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

BARR-REEVE COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation implemented an internal control over the preparation of the SEFA during the audit period, but the control was not effective as material misstatements of the SEFA remained undetected.

Context

The following errors occurred on the SEFA: commodities, totaling \$40,683, were not reported for the National School Lunch Program, and federal expenditures in the Special Education Cluster (IDEA) were understated by \$159,024. This resulted in a net understatement of the SEFA, totaling \$199,707. In addition, Title I Grants to Local Educational Agencies was incorrectly reported as being part of a cluster.

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

Criteria

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

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

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

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

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

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

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

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

Cause

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

Effect

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

Recommendation

We recommended that the School Corporation's management establish effective controls related to the preparation of the SEFA.

Views of Responsible Officials

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

FINDING 2016-002

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

Management of the School Corporation had not established an adequate internal control system related to Financial Transactions and Reporting of the Self-Insurance fund.

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(Continued)

The School Corporation utilized a third-party administrator to administer the Barr-Reeve Community Schools Employee Benefit Trust (Self-Insurance fund). The administrator provided the School Corporation with a detailed reconciliation worksheet showing the trust's monthly income and expenditures and ending cash balances. The School Corporation used the reconciliation worksheets to enter the receipts and disbursements to the Self-Insurance fund on the financial statement.

There was no evidence of internal controls to verify that the information received from the administrator was accurate or to ensure that the receipts and disbursements reflected in the Self-Insurance fund on the financial statement were accurate.

Context

This was a systemic problem as controls over the Self-Insurance fund did not exist during 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. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control to ensure proper reporting of the receipts, disbursements, and cash balances of the Self-Insurance fund.

Effect

The failure to establish a proper system of internal control could have enabled misstatements within the Self-Insurance fund to occur and remain undetected.

Recommendation

We recommended that the School Corporation's management establish controls to verify the accuracy of the information received from the administrator to ensure proper reporting of Self-Insurance fund transactions in the financial statement.

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(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 2016-003

Subject: Title I Grants to Local Educational Agencies - 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): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-002.

Condition

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

There were multiple instances in which unallowable costs were charged to Title I Grants to Local Educational Agencies (Title I).

The School Corporation prepared monthly Personnel Activity Reports for three Title I teachers for fiscal year 2014-2015, which indicated that 13.33 percent of the teachers' time was allocated to activities other than Title I. However, the School Corporation paid the teachers' full salaries from July to December 2014 from Title I funds, which resulted in \$8,064 in expenditures charged to Title I that should have been expended from other sources.

The School Corporation also allocated a portion of the elementary principal's salary to Title I from January 1 to June 30, 2015, for serving as Title I Director, which resulted in \$2,972 in expenditures charged to Title I that were unallowable costs.

The School Corporation prepared monthly Personnel Activity Reports for a Title I substitute teacher from August to November 2015, which indicated that 13.33 percent of the teacher's time was allocated to activities other than Title I. However, the School Corporation paid the substitute teacher's full salary from Title I funds, which resulted in \$260 in expenditures charged to Title I that should have been expended from other sources.

The School Corporation purchased \$500 in gift cards and \$532 in food for Title I family nights during fiscal year 2014-2015.

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(Continued)

Several employees worked solely within the Title I federal award during both audit years. However, no Semi-Annual Certifications were prepared for these employees. In addition, monthly Personnel Activity Reports were not prepared for the elementary principal from January 1 to June 30, who worked on multiple activities/cost objectives, and the monthly Personnel Activity Reports prepared for one employee were not signed by the employee or a supervisory official.

Context

The unallowable costs and time and effort reporting issues were systemic problems throughout the audit period. During both years under audit, unallowable costs were charged to the grant, and the School Corporation did not complete all of the time and effort reporting required under the Title I grant.

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.

2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally-funded. In determining reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.

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(Continued)

- b. The restraints or requirements imposed by such factors as: sound business practices; arms length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.
- c. Market prices for comparable goods or services.
- d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government. . . ."

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. . . ."

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

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,

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(Continued)

- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. . . ."

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. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states in part: "Title I funded staff paid solely from Title I funds complete a Semi-Annual Certification twice a year. Employees who work on multiple activities must maintain a time and effort log at least once a month. . . ."

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states in part:

"Gift Cards - gift cards are never an allowable expense, as there is no guarantee the card will be used on educationally-related purchases. . . ."

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(Continued)

Food - Generally, there is a very high burden of proof to show that paying for food and beverages with Federal funds is necessary to meet the goals and objectives of a Federal grant. . . ."

"Salaries of superintendents, assistant superintendents, treasurers, and 12 month/full-time principals and assistant principals are normally paid from general funds of the school corporation. Typically, these positions are covered by 12 month yearly contracts and cannot be reimbursed by Title I funds. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

The expenditures noted above for salaries, gift cards, and food purchases resulted in total unallowable costs of \$12,328 under the grant. This amount was considered questioned costs.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with 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 2016-004

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

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-003.

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(Continued)

Condition

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

Adequate internal controls were not in place over the Reporting compliance requirement to ensure the accuracy of the reports filed. During the period from July 2014 to May 2015, the Treasurer had the sole responsibility for preparing and submitting the reimbursement requests and the final expenditure reports. There was no segregation of duties such as an oversight, review, or approval process.

Context

The issue was isolated to fiscal year 2014-2015 and subsequently corrected in June 2015.

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. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation complied with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting compliance requirement for fiscal year 2014-2015. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2016-005

Subject: Title I Grants to Local Educational Agencies - Special Tests
and Provisions - Participation of Private School Children
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): FY 14-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Participation
of Private School Children
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-004.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement.

For program year 2014-2015, the School Corporation mailed a letter to private school officials in the school attendance area stating that services were available to private school children under the Title I Grants to Local Educational Agencies. However, the letter did not offer a meeting date for consultations between the School Corporation and private school officials regarding participation of private school children.

Context

The internal control and compliance issues were isolated to program year 2014-2015 and subsequently corrected for program 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. . . ."

20 USC 7881(c)(1) states:

"To ensure timely and meaningful consultation, a State educational agency, local educational agency, educational service agency, consortium of those agencies, or entity shall consult with appropriate private school officials. Such agency and private school officials shall both have the goal of reaching agreement on how to provide equitable and effective programs for eligible private school children, on issues such as—

- (A) how the children's needs will be identified;

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(Continued)

- (B) what services will be offered;
- (C) how, where, and by whom the services will be provided;
- (D) how the services will be assessed and how the results of the assessment will be used to improve those services;
- (E) the size and scope of the equitable services to be provided to the eligible private school children, teachers, and other educational personnel, the amount of funds available for those services, and how that amount is determined;
- (F) how and when the agency, consortium, or entity will make decisions about the delivery of services, including a thorough consideration and analysis of the views of the private school officials on the provision of services through potential third-party providers; and
- (G) whether the agency, consortium, or entity shall provide services directly or through a separate government agency, consortium, or entity, or through a third-party contractor; and
- (H) whether to provide equitable services to eligible private school children-
 - (i) by creating a pool or pools of funds with all of the funds allocated under subsection (a)(4)(C) based on all the children from low-income families in a participating school attendance area who attend private schools; or
 - (ii) in the agency's participating school attendance area who attend private schools with the proportion of funds allocated under subsection (a)(4)(C) based on the number of children from low-income families who attend private schools."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Participation of Private School Children compliance requirement.

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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Participation of Private School Children compliance requirement.

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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.

FINDING 2016-006

Subject: Title I Grants to Local Educational Agencies - Special Tests
and Provisions - Assessment System Security
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): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Assessment System Security
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation developed a written test security policy. However, it provided only general information and did not adequately address the School Corporation's specific policies and procedures for assessment system security.

Context

The lack of controls and noncompliance were systemic issues 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). . . ."

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Indiana Assessment Program Manual, Chapter 10, Section 9, Part D states:

"Every school corporation, public school, charter school, accredited nonpublic school, Choice school, or other test administration location that administers tests under the Indiana Assessment System MUST have a locally developed written test security policy. The test security policy developed by the entity should:

- Specify that secure test materials should not be delivered to school buildings more than one week (preferably less) in advance of test administration;
- Specify that teachers and other school staff members are not allowed access to secure materials (except for the Examiner's Manual) more than 24 hours in advance of test administration; and
- Describe the entity's plan for ensuring the security of assessment materials during testing and storage of all secure assessment materials before, during, and after testing. All test materials should be stored at a central location under lock and key.

Locally developed written test security policies should include, but not be limited to, the following:

A description of the entity's procedures/plan to:

1. Ensure that all appropriate staff have knowledge of the *Code of Ethical Practices and Procedures* and understand how to secure, administer, and handle the assessments while in their possession.
2. Ensure all appropriate staff receive test administration and test security training prior to testing.
3. Ensure staff members who will provide students with testing accommodations are familiar with each student's individual accommodation needs as per the student's Individual Education Plan (IEP), Individual Learning Plan (ILP), Section 504 Plan, and/or nonpublic school Service Plan prior to testing.
4. Ensure staff members who will provide students with testing accommodations receive focused training on providing such accommodations prior to testing.
5. Communicate to all appropriate staff at least once annually the standards for determining what is ethical or appropriate practice contained in the *Code of Ethical Testing Practices and Procedures*, as well as any additional local standards.
6. Define and clearly communicate at least once annually for all appropriate staff how staff implementation of test administration and test security standards and procedures will be monitored by school administrators.
7. Define and clearly communicate at least once annually for all appropriate staff all security procedures established for each assessment.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

8. Provide any other information and professional development necessary to ensure that all appropriate staff have the knowledge and skills necessary to make ethical decisions related to preparing students for an assessment, administering the assessment, and interpreting the results from assessment.
9. Establish a testing schedule.
10. Establish an access policy for test materials that allows only appropriate staff to have access to test administration manuals prior to the administration of the test, but prohibits the reviewing of any secure test questions before, during, or after the assessment administration.
11. Establish a process that ensures all student assessments are secure when they are not being administered.
12. Establish procedures for reviewing practices and materials used in the entity to prepare students for assessments, and communicating these procedures at least once annually to all appropriate staff.
13. Review annually school materials and practices related to preparing students for assessments, administering assessments, securing assessments, and interpreting the results from assessments. The description must include an explanation regarding how the school corporation will ensure test preparation materials used by school staff are appropriate and do not violate test security protocols.
14. Monitor testing to ensure staff are administering assessments with fidelity in terms of test administration and test security protocols/procedures and that staff are appropriately providing students with accommodations included in their IEPs, ILPs, Section 504 Plans, or Service Plans.
15. Provide channels of communication that allow teachers, administrators, students, parents, and other community members to voice their concerns about testing practices they consider inappropriate (see the *Testing Concerns and Security Violations Report* form in *Appendix B*).
16. Establish procedures for investigating any complaint, allegation, or concern about inappropriate testing practices, and ensuring protection of both the rights of individuals and of the integrity of the assessment.
17. Investigate any complaint of inappropriate testing practices or testing irregularities according to the *Protocol for Reporting and Investigating Alleged Breaches or Irregularities* as established and published pursuant to 511 IAC 5-5-4 (see *Appendix A*)."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Assessment System Security 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 2016-007

Subject: Improving Teacher Quality State Grants -
Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

Management of the School Corporation had not established an effective an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation had not designed or implemented an effective internal control system to ensure that appropriate certifications for time worked on the Improving Teacher Quality State Grants are in compliance with program requirements. The Curriculum Director/Elementary Assistant Principal worked on multiple activities or cost objectives during the audit period. However, required time and effort logs for this employee were not presented for audit to substantiate time charged to the grant.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

Criteria

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

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(Continued)

"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 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 on Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.

BARR-REEVE COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. . . ."

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

The School Corporation's management had not developed a system of internal control system that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

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.

Questioned Costs

There were no questioned costs identified.

BARR-REEVE COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with 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 2016-008

Subject: Improving Teacher Quality State Grants - Special Tests and Provisions - Participation of Private School Children
Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Number and Year (or Other Identifying Number): FY 14-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Participation of Private School Children
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement.

For fiscal year 2014-2015, the School Corporation mailed a letter to private school officials in the school attendance area stating that services were available to private school children under the Improving Teacher Quality State Grants. However, the letter did not offer a meeting date for consultations between the School Corporation and private school officials regarding participation of private school children.

Context

The internal control and compliance issues were isolated to fiscal year 2014-2015 and subsequently corrected for 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. . . ."

BARR-REEVE COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

20 USC 7881(c)(1) states:

"To ensure timely and meaningful consultation, a State educational agency, local educational agency, educational service agency, consortium of those agencies, or entity shall consult with appropriate private school officials. Such agency and private school officials shall both have the goal of reaching agreement on how to provide equitable and effective programs for eligible private school children, on issues such as—

- (A) how the children's needs will be identified;
- (B) what services will be offered;
- (C) how, where, and by whom the services will be provided;
- (D) how the services will be assessed and how the results of the assessment will be used to improve those services;
- (E) the size and scope of the equitable services to be provided to the eligible private school children, teachers, and other educational personnel, the amount of funds available for those services, and how that amount is determined;
- (F) how and when the agency, consortium, or entity will make decisions about the delivery of services, including a thorough consideration and analysis of the views of the private school officials on the provision of services through potential third-party providers; and
- (G) whether the agency, consortium, or entity shall provide services directly or through a separate government agency, consortium, or entity, or through a third-party contractor; and
- (H) whether to provide equitable services to eligible private school children—
 - (i) by creating a pool or pools of funds with all of the funds allocated under subsection (a)(4)(C) based on all the children from low-income families in a participating school attendance area who attend private schools; or
 - (ii) in the agency's participating school attendance area who attend private schools with the proportion of funds allocated under subsection (a)(4)(C) based on the number of children from low-income families who attend private schools."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Participation of Private School Children compliance requirement.

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.

Questioned Costs

There were no questioned costs identified.

BARR-REEVE COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Participation of Private School Children compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001

Fiscal year: 2014
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer
Contact Phone Number: 812-486-3220

Status of Audit Finding: The School Corporation's management is in the process of establishing controls to ensure accurate preparation of the Schedule of Expenditures of Federal Awards (SEFA).

FINDING 2014-002

Fiscal year: 2014
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer
Contact Phone Number: 812-486-3220

Status of Audit Finding: The School Corporation's management is in the process of establishing controls to ensure compliance with the grant agreement and the compliance requirement for allowable costs.

FINDING 2014-003

Fiscal year: 2014
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer
Contact Phone Number: 812-486-3220

Status of Audit Finding: The school has implemented additional control procedures. We have established segregation of duties by making sure proper oversight, reviews and approvals take place and have a separation of functions over certain activities related to program. This was effective beginning June 2015.

FINDING 2014-004

Fiscal year: 2014
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Travis Madison, Superintendent
Contact Phone Number: 812-486-3220

Status of Audit Finding: The superintendent sends letters and holds a meeting for the private school officials to offer private school children any educational services needed. This was effective beginning of July 2015


(Signature)

Corporation Treasurer
(Title)

3-21-2018
(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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Lana Helms, Board Member
Alex Knepp, Board Member

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CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer

Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Treasurer has worked with management and will implement better controls when preparing the Schedule of Expenditures of Federal Awards. The Superintendent will compare the prepared schedule to supporting documentation for accuracy, changes will be made as necessary, and the Superintendent will approve the final version. The expenditures will be reported to match the receipts. Commodities for the National School Lunch Program will be reported.

Anticipated Completion Date: August 2018

Tamara Swartzentruber
(Signature)

Treasurer
(Title)

4-5-2018
(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer
Contact Phone Number: 812-486-3220

Description of Corrective Action Plan:

Views of Responsible Official: We concur with the finding.

Due to the sensitive nature and HIPPA regulations associated with the Trust, Barr-Reeve Community Schools will continue to ensure Dunn & Associates follows all requirements set forth in the trust agreement. Dunn & Associates has had several different agencies audit and review their records. They will continue to submit to these audits and inform Barr-Reeve Community Schools immediately if there are any findings associated with funds related to the Barr-Reeve Community Schools Benefit Trust.

The true Self Insurance Reserve fund (1100) is reported and maintained by Barr-Reeve Community Schools. The district will continue to ensure all transactions associated with that fund are subject to the regular approval process per board policy.

Anticipated Completion Date: May 2018

Tamara J. Swartzentruber
(Signature)

Treasurer
(Title)

4-5-2018
(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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CORRECTIVE ACTION PLAN

FINDING 2016-003

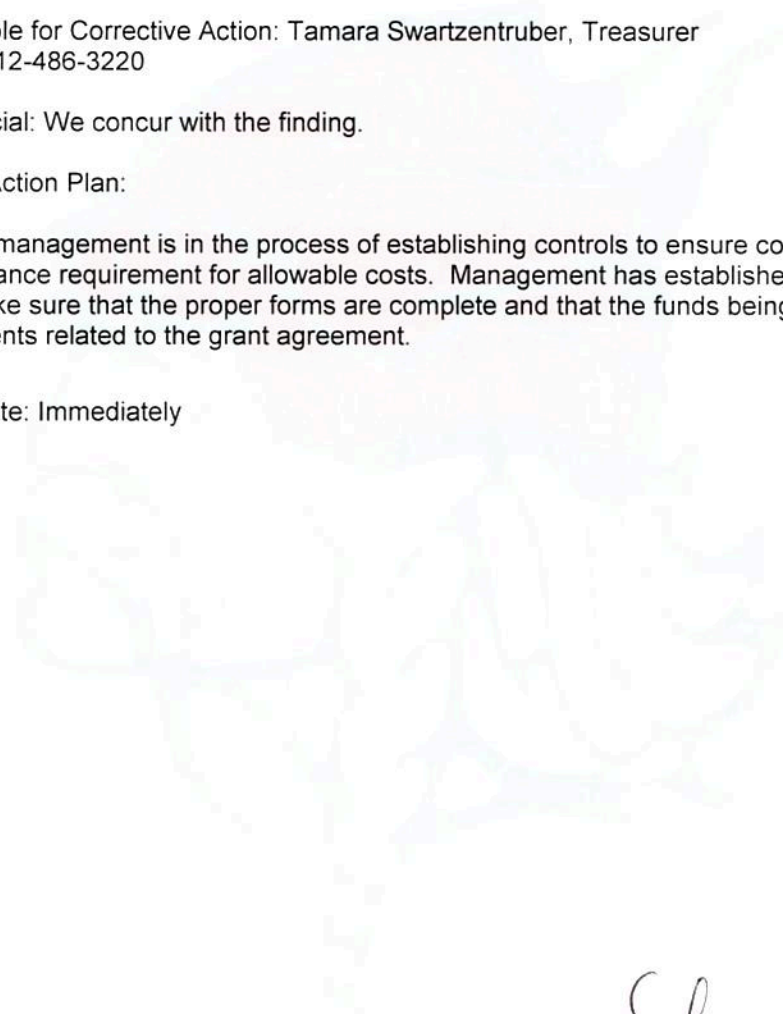
Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation's management is in the process of establishing controls to ensure compliance with the grant agreement and the compliance requirement for allowable costs. Management has established better communication between each other to make sure that the proper forms are complete and that the funds being paid out of Title I are in compliance with requirements related to the grant agreement.

Anticipated Completion Date: Immediately


Tamara J. Swartzentruber
(Signature)

Treasurer
(Title)

4-5-2018
(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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CORRECTIVE ACTION PLAN

FINDING 2016-004

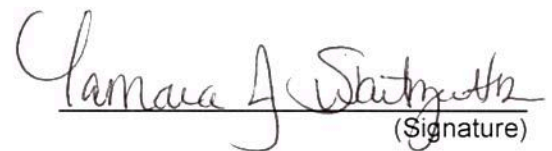
Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The school has implemented additional control procedures. We have established segregation of duties by making sure proper oversight, reviews and approvals take place and have a separation of functions over certain activities related to program.

Anticipated Completion Date: June 2015



(Signature)

Treasurer

(Title)

4-5-2018

(Date)

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Lisa Claridge, Secretary

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CORRECTIVE ACTION PLAN

FINDING 2016-005

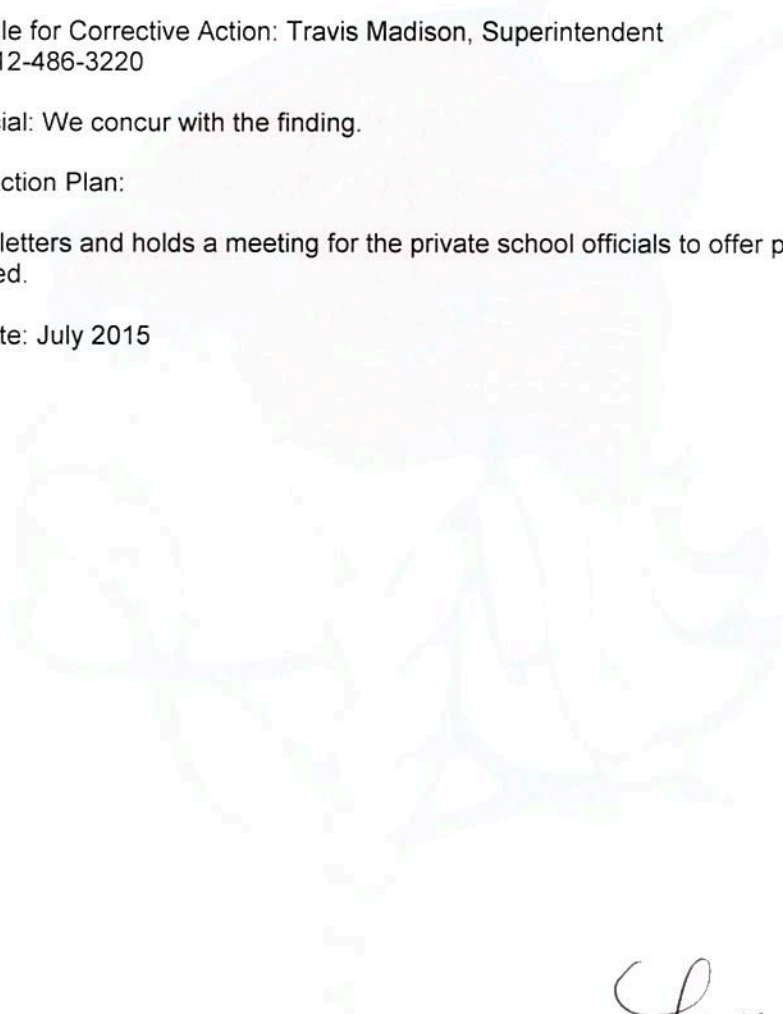
Contact Person Responsible for Corrective Action: Travis Madison, Superintendent
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The superintendent sends letters and holds a meeting for the private school officials to offer private school children any educational services needed.

Anticipated Completion Date: July 2015


Tamara J. Swartzentruber
(Signature)

Treasurer
(Title)

4-5-2016
(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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CORRECTIVE ACTION PLAN

FINDING 2016-006

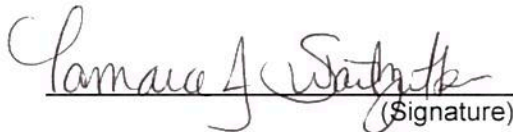
Contact Person Responsible for Corrective Action: Travis Madison, Superintendent
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation's management will establish controls to ensure compliance and comply with the Special Tests and Provisions – Assessment System Security compliance requirement.

Anticipated Completion Date: July 2018



(Signature)



(Title)



(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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CORRECTIVE ACTION PLAN

FINDING 2016-007

Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation's Management will establish controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirements.

Anticipated Completion Date: June 2018

Tamara J. Swartzentruber
(Signature)

Treasurer
(Title)

4-5-2018
(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
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CORRECTIVE ACTION PLAN

FINDING 2016-008

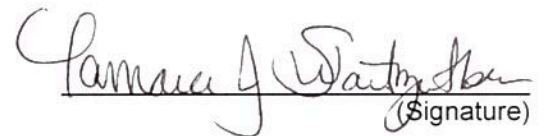
Contact Person Responsible for Corrective Action: Travis Madison, Superintendent
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The superintendent sends letters and holds a meeting for the private school officials to offer private school children any educational services needed.

Anticipated Completion Date: July 2015


(Signature)

Treasurer
(Title)

4-5-2018
(Date)

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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/>.