

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION
JACKSON COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
06/01/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Patsy A. Hess	07-01-14 to 06-30-18
Superintendent of Schools	James Terrell Greg Walker	07-01-14 to 12-31-14 01-01-15 to 12-31-18
President of the School Board	Mary Ann L. Spray	01-01-14 to 12-31-18



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION, JACKSON COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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

Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 2018, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

May 2, 2018



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302 WEST WASHINGTON STREET
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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 BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION, JACKSON 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 Brownstown Central Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated May 2, 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 an instance 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 2016-002.

Brownstown Central Community School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

May 2, 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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BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
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	\$ 663,657	\$ 10,543,960	\$ 10,260,548	\$ -	\$ 947,069	\$ 10,801,816	\$ 10,358,881	\$ -	\$ 1,390,004
Debt Service	516,692	1,392,501	1,321,000	-	588,193	1,351,699	1,580,250	-	359,642
Capital Projects	685,032	1,525,699	1,421,128	(215,000)	574,603	1,471,936	1,244,502	(485,000)	317,037
School Transportation	384,777	997,716	935,289	-	447,204	1,002,703	887,911	-	561,996
School Bus Replacement	516,836	298,096	170,108	-	644,824	297,337	286,602	-	655,559
Rainy Day	1,441,608	-	215,000	215,000	1,441,608	39,944	-	485,000	1,966,552
Construction Fund - BCMS	1,692,236	-	1,611,859	-	80,377	-	43,182	-	37,195
Construction Fund - BCHS	1,785,538	5,025	1,644,425	-	146,138	-	117,032	-	29,106
School Lunch	132,687	788,689	778,158	-	143,218	742,821	756,029	-	130,010
Textbook Rental	100,524	144,384	60,051	-	184,857	185,935	170,117	-	200,675
Educational License Plates	2,194	-	-	-	2,194	-	-	-	2,194
Alternative Education	1,708	-	-	-	1,708	-	-	-	1,708
Early Intervention Grant	1,500	-	-	-	1,500	-	-	-	1,500
Instructional Support	1,062	-	1,062	-	-	-	-	-	-
Shake Scholarship Fund	33,245	216	200	-	33,261	163	200	-	33,224
Btown Health Cen. Scholarship	32,635	259	750	-	32,144	195	1,000	-	31,339
Community Foundation - JC Turf Project	7,900	-	7,900	-	-	-	-	-	-
125 Reimbursement Refund Fund	5,500	994	5,500	-	994	-	-	-	994
Universal Service Fund	7,174	23,343	12,025	-	18,492	24,408	5,909	-	36,991
Community Foundation Grants	-	467	467	-	-	-	-	-	-
Instruction Support	-	32,698	3,263	-	29,435	-	29,435	-	-
G/T 2011-2012	29,509	-	29,509	-	-	32,242	2,302	-	29,940
Drug Free Communities	-	3,000	-	-	3,000	2,000	3,000	-	2,000
School Technology	4,444	5,409	-	-	9,853	6,564	-	-	16,417
Pepsi Agreement	11,000	11,000	8,425	-	13,575	11,000	9,487	-	15,088
Ind. Dept. of Homeland Security	-	49,382	81,032	-	(31,650)	31,650	-	-	-
Monsato Fund Grant	-	-	-	-	-	25,000	24,839	-	161
Title I	-	147,277	161,462	-	(14,185)	34,753	20,568	-	-
Title I 2013-2014	(15,115)	29,901	14,786	-	-	157,593	177,547	-	(19,954)
Title I Juvenile Home 2014-2015	-	20,891	26,536	-	(5,645)	16,564	10,919	-	-
Title I Juvenile Home 2013-2014	(6,011)	28,030	22,018	-	1	15,536	19,887	-	(4,350)
Improving Teacher Quality, No Child Left, Title II, Part A	(4,594)	27,077	22,483	-	-	46,514	51,792	-	(5,278)
Title II, PT. A	-	48,438	53,089	-	(4,651)	22,130	17,479	-	-
Payroll Withholdings	48,841	2,837,421	2,866,712	-	19,550	2,907,399	2,922,850	-	4,099
Totals	\$ 8,080,579	\$ 18,961,873	\$ 21,734,785	\$ -	\$ 5,307,667	\$ 19,227,902	\$ 18,741,720	\$ -	\$ 5,793,849

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, 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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
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:

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.

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

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

Note 8. Holding Corporations

The School Corporation (the lessee) has entered into capital leases with Brownstown District School Building Corporation and Brownstown MS Bldg. Corp. (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related-parties of the School Corporation. The lease related to the Brownstown District School Building Corporation was paid off June 15, 2016. Lease payments during the years 2015 and 2016 totaled \$1,321,000 and \$1,580,250, respectively.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Other Postemployment Benefits

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

Note 10. Subsequent Events

On January 9, 2018, the School Board approved a \$5,000,000 renovation and facilities upgrades to the high school to be financed through a capital lease agreement with the Brownstown District School Building 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.

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction Fund - BCMS
Cash and investments - beginning	\$ 663,657	\$ 516,692	\$ 685,032	\$ 384,777	\$ 516,836	\$ 1,441,608	\$ 1,692,236
Receipts:							
Local sources	134,076	1,392,501	1,525,699	997,716	298,096	-	-
Intermediate sources	147	-	-	-	-	-	-
State sources	10,409,737	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	10,543,960	1,392,501	1,525,699	997,716	298,096	-	-
Disbursements:							
Instruction	7,243,731	-	-	-	-	215,000	-
Support services	2,785,795	-	501,495	935,289	170,108	-	819
Noninstructional services	231,022	-	-	-	-	-	-
Facilities acquisition and construction	-	-	919,633	-	-	-	1,611,040
Debt service	-	1,321,000	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	10,260,548	1,321,000	1,421,128	935,289	170,108	215,000	1,611,859
Excess (deficiency) of receipts over disbursements	283,412	71,501	104,571	62,427	127,988	(215,000)	(1,611,859)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	215,000	-
Transfers out	-	-	(215,000)	-	-	-	-
Total other financing sources (uses)	-	-	(215,000)	-	-	215,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	283,412	71,501	(110,429)	62,427	127,988	-	(1,611,859)
Cash and investments - ending	\$ 947,069	\$ 588,193	\$ 574,603	\$ 447,204	\$ 644,824	\$ 1,441,608	\$ 80,377

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

	Construction Fund - BCHS	School Lunch	Textbook Rental	Educational License Plates	Alternative Education	Early Intervention Grant	Instructional Support
Cash and investments - beginning	\$ 1,785,538	\$ 132,687	\$ 100,524	\$ 2,194	\$ 1,708	\$ 1,500	\$ 1,062
Receipts:							
Local sources	5,025	607,210	144,384	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	17,016	-	-	-	-	-
Federal sources	-	164,463	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	5,025	788,689	144,384	-	-	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	60,051	-	-	-	1,062
Noninstructional services	-	778,158	-	-	-	-	-
Facilities acquisition and construction	1,644,425	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	1,644,425	778,158	60,051	-	-	-	1,062
Excess (deficiency) of receipts over disbursements	(1,639,400)	10,531	84,333	-	-	-	(1,062)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,639,400)	10,531	84,333	-	-	-	(1,062)
Cash and investments - ending	\$ 146,138	\$ 143,218	\$ 184,857	\$ 2,194	\$ 1,708	\$ 1,500	\$ -

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

	Shake Scholarship Fund	Btown Health Cen. Scholarship	Community Foundation - JC Turf Project	125 Reimbursement Refund Fund	Universal Service Fund	Community Foundation Grants	Instruction Support
Cash and investments - beginning	\$ 33,245	\$ 32,635	\$ 7,900	\$ 5,500	\$ 7,174	\$ -	\$ -
Receipts:							
Local sources	216	259	-	994	23,343	467	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	32,698
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	216	259	-	994	23,343	467	32,698
Disbursements:							
Instruction	-	-	-	-	-	467	3,263
Support services	-	-	7,900	5,500	12,025	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	200	750	-	-	-	-	-
Total disbursements	200	750	7,900	5,500	12,025	467	3,263
Excess (deficiency) of receipts over disbursements	16	(491)	(7,900)	(4,506)	11,318	-	29,435
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	16	(491)	(7,900)	(4,506)	11,318	-	29,435
Cash and investments - ending	\$ 33,261	\$ 32,144	\$ -	\$ 994	\$ 18,492	\$ -	\$ 29,435

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

	G/T 2011-2012	Drug Free Communities	School Technology	Pepsi Agreement	Ind. Dept. of Homeland Security	Monsato Fund Grant	Title I
Cash and investments - beginning	\$ 29,509	\$ -	\$ 4,444	\$ 11,000	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	11,000	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	3,000	5,409	-	49,382	-	-
Federal sources	-	-	-	-	-	-	147,277
Other receipts	-	-	-	-	-	-	-
Total receipts	-	3,000	5,409	11,000	49,382	-	147,277
Disbursements:							
Instruction	29,509	-	-	-	-	-	161,462
Support services	-	-	-	-	81,032	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	8,425	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	29,509	-	-	8,425	81,032	-	161,462
Excess (deficiency) of receipts over disbursements	(29,509)	3,000	5,409	2,575	(31,650)	-	(14,185)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,509)	3,000	5,409	2,575	(31,650)	-	(14,185)
Cash and investments - ending	\$ -	\$ 3,000	\$ 9,853	\$ 13,575	\$ (31,650)	\$ -	\$ (14,185)

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

	Title I 2013-2014	Title I Juvenile Home 2014-2015	Title I Juvenile Home 2013-2014	Improving Teacher Quality, No Child Left, Title II, Part A	Title II, PT. A	Payroll Withholdings	Totals
Cash and investments - beginning	\$ (15,115)	\$ -	\$ (6,011)	\$ (4,594)	\$ -	\$ 48,841	\$ 8,080,579
Receipts:							
Local sources	29,901	-	-	-	-	-	5,170,887
Intermediate sources	-	-	-	-	-	-	147
State sources	-	-	-	-	-	-	10,517,242
Federal sources	-	20,891	28,030	27,077	48,438	-	436,176
Other receipts	-	-	-	-	-	2,837,421	2,837,421
Total receipts	29,901	20,891	28,030	27,077	48,438	2,837,421	18,961,873
Disbursements:							
Instruction	14,786	26,536	22,018	10,031	52,413	-	7,779,216
Support services	-	-	-	12,452	676	-	4,574,204
Noninstructional services	-	-	-	-	-	-	1,009,180
Facilities acquisition and construction	-	-	-	-	-	-	4,183,523
Debt service	-	-	-	-	-	-	1,321,000
Nonprogrammed charges	-	-	-	-	-	2,866,712	2,867,662
Total disbursements	14,786	26,536	22,018	22,483	53,089	2,866,712	21,734,785
Excess (deficiency) of receipts over disbursements	15,115	(5,645)	6,012	4,594	(4,651)	(29,291)	(2,772,912)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	215,000
Transfers out	-	-	-	-	-	-	(215,000)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,115	(5,645)	6,012	4,594	(4,651)	(29,291)	(2,772,912)
Cash and investments - ending	\$ -	\$ (5,645)	\$ 1	\$ -	\$ (4,651)	\$ 19,550	\$ 5,307,667

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction Fund - BCMS
Cash and investments - beginning	\$ 947,069	\$ 588,193	\$ 574,603	\$ 447,204	\$ 644,824	\$ 1,441,608	\$ 80,377
Receipts:							
Local sources	132,736	1,351,699	1,471,936	995,784	297,337	39,944	-
Intermediate sources	130	-	-	-	-	-	-
State sources	10,668,950	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	6,919	-	-	-
Total receipts	10,801,816	1,351,699	1,471,936	1,002,703	297,337	39,944	-
Disbursements:							
Instruction	7,264,481	-	-	-	-	-	-
Support services	2,861,559	-	502,151	887,911	286,602	-	-
Noninstructional services	232,841	-	-	-	-	-	-
Facilities acquisition and construction	-	-	742,351	-	-	-	43,182
Debt service	-	1,580,250	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	10,358,881	1,580,250	1,244,502	887,911	286,602	-	43,182
Excess (deficiency) of receipts over disbursements	442,935	(228,551)	227,434	114,792	10,735	39,944	(43,182)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	485,000	-
Transfers out	-	-	(485,000)	-	-	-	-
Total other financing sources (uses)	-	-	(485,000)	-	-	485,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	442,935	(228,551)	(257,566)	114,792	10,735	524,944	(43,182)
Cash and investments - ending	\$ 1,390,004	\$ 359,642	\$ 317,037	\$ 561,996	\$ 655,559	\$ 1,966,552	\$ 37,195

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

	Construction Fund - BCHS	School Lunch	Textbook Rental	Educational License Plates	Alternative Education	Early Intervention Grant	Instructional Support
Cash and investments - beginning	\$ 146,138	\$ 143,218	\$ 184,857	\$ 2,194	\$ 1,708	\$ 1,500	\$ -
Receipts:							
Local sources	-	734,864	136,045	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	7,957	49,890	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	742,821	185,935	-	-	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	170,117	-	-	-	-
Noninstructional services	-	756,029	-	-	-	-	-
Facilities acquisition and construction	117,032	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	117,032	756,029	170,117	-	-	-	-
Excess (deficiency) of receipts over disbursements	(117,032)	(13,208)	15,818	-	-	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(117,032)	(13,208)	15,818	-	-	-	-
Cash and investments - ending	\$ 29,106	\$ 130,010	\$ 200,675	\$ 2,194	\$ 1,708	\$ 1,500	\$ -

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

	Shake Scholarship Fund	Btown Health Cen. Scholarship	Community Foundation - JC Turf Project	125 Reimbursement Refund Fund	Universal Service Fund	Community Foundation Grants	Instruction Support
Cash and investments - beginning	\$ 33,261	\$ 32,144	\$ -	\$ 994	\$ 18,492	\$ -	\$ 29,435
Receipts:							
Local sources	163	195	-	-	24,408	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	163	195	-	-	24,408	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	29,435
Support services	-	-	-	-	5,909	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	200	1,000	-	-	-	-	-
Total disbursements	200	1,000	-	-	5,909	-	29,435
Excess (deficiency) of receipts over disbursements	(37)	(805)	-	-	18,499	-	(29,435)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(37)	(805)	-	-	18,499	-	(29,435)
Cash and investments - ending	\$ 33,224	\$ 31,339	\$ -	\$ 994	\$ 36,991	\$ -	\$ -

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

	G/T 2011-2012	Drug Free Communities	School Technology	Pepsi Agreement	Ind. Dept. of Homeland Security	Monsato Fund Grant	Title I
Cash and investments - beginning	\$ -	\$ 3,000	\$ 9,853	\$ 13,575	\$ (31,650)	\$ -	\$ (14,185)
Receipts:							
Local sources	-	-	-	11,000	-	25,000	-
Intermediate sources	-	-	-	-	-	-	-
State sources	32,242	2,000	6,564	-	31,650	-	-
Federal sources	-	-	-	-	-	-	34,753
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>32,242</u>	<u>2,000</u>	<u>6,564</u>	<u>11,000</u>	<u>31,650</u>	<u>25,000</u>	<u>34,753</u>
Disbursements:							
Instruction	2,302	-	-	-	-	24,839	20,568
Support services	-	3,000	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	9,487	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>2,302</u>	<u>3,000</u>	<u>-</u>	<u>9,487</u>	<u>-</u>	<u>24,839</u>	<u>20,568</u>
Excess (deficiency) of receipts over disbursements	<u>29,940</u>	<u>(1,000)</u>	<u>6,564</u>	<u>1,513</u>	<u>31,650</u>	<u>161</u>	<u>14,185</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>29,940</u>	<u>(1,000)</u>	<u>6,564</u>	<u>1,513</u>	<u>31,650</u>	<u>161</u>	<u>14,185</u>
Cash and investments - ending	<u>\$ 29,940</u>	<u>\$ 2,000</u>	<u>\$ 16,417</u>	<u>\$ 15,088</u>	<u>\$ -</u>	<u>\$ 161</u>	<u>\$ -</u>

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

	Title I 2013-2014	Title I Juvenile Home 2014-2015	Title I Juvenile Home 2013-2014	Improving Teacher Quality, No Child Left, Title II, Part A	Title II, PT. A	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (5,645)	\$ 1	\$ -	\$ (4,651)	\$ 19,550	\$ 5,307,667
Receipts:							
Local sources	22,893	-	-	-	-	-	5,244,004
Intermediate sources	-	-	-	-	-	-	130
State sources	-	-	-	-	-	-	10,799,253
Federal sources	134,700	16,564	15,536	46,514	22,130	-	270,197
Other receipts	-	-	-	-	-	2,907,399	2,914,318
Total receipts	157,593	16,564	15,536	46,514	22,130	2,907,399	19,227,902
Disbursements:							
Instruction	177,547	10,919	19,887	51,764	16,303	-	7,618,045
Support services	-	-	-	28	1,176	-	4,718,453
Noninstructional services	-	-	-	-	-	-	988,870
Facilities acquisition and construction	-	-	-	-	-	-	912,052
Debt service	-	-	-	-	-	-	1,580,250
Nonprogrammed charges	-	-	-	-	-	2,922,850	2,924,050
Total disbursements	177,547	10,919	19,887	51,792	17,479	2,922,850	18,741,720
Excess (deficiency) of receipts over disbursements	(19,954)	5,645	(4,351)	(5,278)	4,651	(15,451)	486,182
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	485,000
Transfers out	-	-	-	-	-	-	(485,000)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(19,954)	5,645	(4,351)	(5,278)	4,651	(15,451)	486,182
Cash and investments - ending	\$ (19,954)	\$ -	\$ (4,350)	\$ (5,278)	\$ -	\$ 4,099	\$ 5,793,849

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BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2016

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	<u>\$ 277,102</u>	<u>\$ 157,823</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Brownstown MS Bldg. Corp	Remodel MS & HS (2009)	\$ 48,000	11/10/2009	1/1/2025
Brownstown MS Bldg. Corp.	New Construction Remodeling (2014)	259,250	3/11/2014	12/31/2025
RICOH	Copier Lease	38,460	11/1/2012	10/31/2017
RICOH	Copier Lease	7,058	6/2/2015	6/1/2020
RICOH	Copier Lease	4,247	2/25/2016	5/24/2020
Sun Trust Equipment Lease	Performance Contract	<u>78,520</u>	6/14/2007	1/15/2018
Total governmental activities		<u>435,535</u>		
Total of annual lease payments		<u>\$ 435,535</u>		

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 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	\$ 1,842,450
Buildings	19,630,538
Improvements other than buildings	258,050
Machinery, equipment, and vehicles	<u>5,380,283</u>
Total governmental activities	<u>27,111,321</u>
Total capital assets	<u><u>\$ 27,111,321</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION, JACKSON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Brownstown Central Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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)

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 and 2016-004 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

May 2, 2018

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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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 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	Total Federal Awards Expended 06-30-15	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY14-15 FY15-16	\$ 69,807 -	\$ - 65,177
Total - School Breakfast Program				69,807	65,177
National School Lunch Program	Indiana Department of Education	10.555	FY14-15 FY15-16	301,261 -	- 297,679
Commodities			FY14-15 FY15-16	52,242 -	- 48,301
Total - National School Lunch Program				353,503	345,980
Total - Child Nutrition Cluster				423,310	411,157
Total - Department of Agriculture				423,310	411,157
<u>Department of Education</u>					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title 1 Basic Grant 13			13-3695	29,901	-
Title 1 Basic Delinquent Grant 13			13-3695	28,030	-
Title 1 Basic Grant 14			14-3695	147,277	34,753
Title 1 Basic Delinquent Grant 14			14-3695	20,891	16,564
Title 1 Basic Grant 15			15-3695	-	157,593
Title 1 Basic Delinquent Grant 15			15-3695	-	15,537
Total - Title I Grants to Local Educational Agencies				226,099	224,447

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
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	Total Federal Awards Expended 06-30-15	Total Federal Awards Expended 06-30-16
Special Education Cluster (IDEA)					
Special Education_Grants to States	Indiana Department of Education	84.027			
FY 2013 Federal Part B 611			14213-049-PN01	62,496	-
FY 2014 Federal Part B 611			14214-049-PN01	88,074	63,964
FY 2015 Federal Part B 611			14215-049-PN01	191,840	94,154
FY 2016 Federal Part B 611			14216-049-PN01	-	184,364
FY 2014 Federal Technical Assistant			99914-049-TA01	8,347	70
Total - Special Education_Grants to States				<u>350,757</u>	<u>342,552</u>
Special Education_Preschool Grants	Indiana Department of Education	84.173			
FY 2013 Federal Part B 619			45713-049-PN01	538	-
FY 2014 Federal Part B 619			45714-049-PN01	2,761	-
FY 2015 Federal Part B 619			45715-049-PN01	5,987	3,914
FY 2016 Federal Part B 619			45716-049-PN01	-	5,093
Total - Special Education_Preschool Grants				<u>9,286</u>	<u>9,007</u>
Total - Special Education Cluster (IDEA)				<u>360,043</u>	<u>351,559</u>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367			
Title II Pt. A: 120013			12-3695	27,077	-
Title II Pt. A: 130013			13-3695	48,438	22,130
Title II Pt. A: 140013			14-3695	-	46,514
Total - Supporting Effective Instruction State Grants				<u>75,515</u>	<u>68,644</u>
Total - Department of Education				<u>661,657</u>	<u>644,650</u>
Total federal awards expended				<u>\$ 1,084,967</u>	<u>\$ 1,055,807</u>

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
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. Orange-Lawrence-Jackson-Martin-Greene Joint Services

The School Corporation is a member of a Special Education Cooperative. The Special Education Cooperative operates the special education programs for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the Schedule of Expenditures of Federal Awards is not presented as receipts and disbursements in the financial statement of the School Corporation.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

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

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

The School Corporation had not established and properly implemented an internal control system related to Receipts, Disbursements, and Cash and Investments of the School Lunch fund. An evaluation of the School Corporation's system of internal control had not been conducted. Management had not conducted a risk assessment related to the School Corporation's Financial Reporting and Transactions.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to Receipts, Disbursements, and Cash and Investments of the School Lunch fund. One individual was responsible for performing the reconciliation of the depository account balance with the record balance, preparing and making bank deposits, reconciling daily cash collections, recording receipt and disbursements transactions in the ledger, and preparing the financial information of the School Lunch fund for the Form 9.
2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

Criteria

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

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

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

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

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

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management remediates identified issues. . . ."

Cause

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

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Recommendation

We recommended that the School Corporation establish a system of internal controls related to Financial Transactions and Reporting for the School Lunch fund.

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

Repeat Finding

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

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 had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway), which was the source of the School Corporation's SEFA. One employee prepared the federal award information entered into Gateway without a control process in place to ensure its accuracy before submission.

Context

The SEFA contained the following errors:

1. The Child Nutrition Cluster expenditures were omitted for fiscal year 2015.
2. The Special Education Cluster (IDEA) expenditures were omitted for fiscal year 2015.
3. The Title I Grants to Local Educational Agencies expenditures were understated by \$57,931 for fiscal year 2015.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

4. The Supporting Effective Instruction State Grants were understated by \$6,123 for fiscal year 2015.
5. One state grant was included on the SEFA that should not have been included.
6. Cluster titles, program and project titles, pass-through entity, and identifying numbers were not always correct or were missing.

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:

- (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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY14-15, FY15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Program Income, Reporting, Procurement and Suspension and Debarment, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Account, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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 following compliance requirements: Cash Management, Eligibility, Program Income, Reporting, Procurement and Suspension and Debarment, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Account, and Special Tests and Provisions - Paid Lunch Equity.

Cash Management

Management of the School Corporation had not established documented controls to ensure the School Lunch fund net cash resources did not exceed the three months average expenditures.

Eligibility

The School Corporation had not designed or implemented adequate policies and procedures to ensure that free and reduced price meal applications were accurately evaluated for eligibility. The application information was entered into the food service software, which automatically made the eligibility determination dependent on the information entered. There was no oversight or review to ensure the information entered into the food service software was accurate.

Program Income

The School Corporation had not established an effective internal control that would have ensured that correct amounts for program income were entered into the extracurricular school lunch's financial accounting system. The School Corporation did not review the monthly cafeteria sales reports for all of its schools to ensure that all program income was properly determined and recorded in the extracurricular school lunch's financial accounting system.

Reporting

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

Procurement and Suspension and Debarment

The School Corporation was a member of a group purchasing organization and utilized the group purchasing organization for food service bids. The group purchasing organization administered the bidding process as well as verified that vendors were not suspended or debarred. The School Corporation's membership within the group purchasing organization enabled purchasing to be made from the winning bids. However, there were no controls in place to ensure the School Corporation and School Board formally approved the bids or awarded contracts to the successful bidders. An oversight, review, or approval process had not been established.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

There was no documentation of an oversight or review process over the School Corporation's performance of verifications of the free and reduced price eligibility of households selected from a sample of applications that were approved for free and reduced price meals.

Special Tests and Provisions - School Food Account

The School Corporation had not established an effective internal control over verifying all revenue generated by the school food service was used to operate and improve its food services. One individual was responsible for recording the school lunch financial transactions and performing the reconciliation of the school lunch depository account balance with the record balance.

Special Tests and Provisions - Paid Lunch Equity

The School Corporation had not established an effective internal control over verifying the proper calculation and submission of paid lunch equity calculations to the Indiana Department of Education. One employee prepared and submitted paid lunch equity calculations to the Indiana Department of Education.

Context

The lack of properly designed and implemented controls was a systemic problem, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-004

Subject: Title I Grants to Local Educational Agencies - Internal Controls

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-3695, 14-3695, 15-3695

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable
Costs/Cost Principles, Cash Management,
Eligibility, Period of Availability, Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit regarding Activities Allowed or Unallowed, Cash Management, Eligibility, Period of Availability, and Reporting. The prior audit finding numbers were 2014-003 and 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 following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Period of Availability, and Reporting.

Activities Allowed or Unallowed

The Treasurer prepared and submitted the monthly Requests for Reimbursement. There were no controls in place to ensure all costs submitted for reimbursement were for activities allowed by the Title I Program.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Allowable Costs/Cost Principles

The Treasurer prepared and submitted the monthly Requests for Reimbursement. There were no controls in place to ensure all costs submitted for reimbursement were made in accordance with Allowable Costs/Cost Principles compliance requirement by the Title I Program.

Cash Management

The Treasurer prepared and submitted the monthly Requests for Reimbursement. There were no controls in place to ensure all costs submitted for reimbursement had been incurred and paid prior to the date of the request.

Eligibility

The Technology Technician prepared and submitted all of the Real Time Data Reports. There were no controls in place to ensure the accuracy of the data prior to submission.

Period of Availability

The Treasurer prepared and submitted the monthly Requests for Reimbursement. There were no controls in place to ensure all costs submitted for reimbursement were incurred during the period of availability.

Reporting

The Treasurer prepared and submitted the monthly Requests for Reimbursement and the Final Annual Expenditure Reports. There were no controls in place to ensure the Requests for Reimbursement or the Final Annual Expenditure Reports were accurate and complete.

Context

The lack of properly designed and implemented controls was a systemic problem, which occurred throughout the audit period.

Criteria

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

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

Brownstown Central Community School Corporation

608 W. Commerce Street - Brownstown, IN 47220 - Telephone (812) 358-4271 - Fax (812) 358 5303

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-003 Internal Controls Over Title 1 Grants To Local Educational Agencies

Fiscal year in which the finding initially occurred: FY 12-13; FY 13-14

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Chrystal Street, Elementary Principal and Title I Director

Contact Phone Number: 812-358-3680

Status of Audit Finding:

The Title 1 Director verifies all information submitted to the Technology Technician in order for the real time report to be submitted. The Title 1 Director and Technology Technician work collaboratively to correct any errors. The Superintendent verifies all Federal Grants expenditures and reimbursement requests prepared by the Corporation Treasurer to avoid substantial risk of invalid transactions. Practice implemented February 2018.

FINDING 2014-004 Allowable Cost/Cost Principles

Fiscal year in which the finding initially occurred: FY 12-13; FY 13-14

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Chrystal Street, Elementary Principal and Title I Director

Contact Phone Number: 812-358-3680

Status of Audit Finding:

The Title 1 Director completes the Time/Effort and Semi Annual Certifications which will be signed by the Superintendent and Treasurer. The Title 1 Director and the Corporation Treasurer retain a copy of the reports in their files in their respective offices. The Title 1 Director places the names of the Title 1 employees in the Title 1 Grant application folder. Practice implemented February 2018.

Chrystal Street
(Signature)

Principal / Title I Director
(Title)

2-28-18
(Date)

BROWNSTOWN CENTRAL HIGH SCHOOL
500 North Elm Street
Brownstown, Indiana 47220

Joseph Sheffer
Principal
(812) 358-3453



Mark DeHart
Assistant Principal
Athletic Director
(812) 358-3453

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-005 Special Tests and Provisions

Fiscal year in which the finding initially occurred: FY 12-13; FY 13-14

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Joe Sheffer/Derrick Koch/Jami Stuckwisch/Becky Perry

Contact Phone Number: 812-358-3453

Status of Audit Finding: We concur with the finding.

Description of Corrective Action Plan:

Internal controls have been established to ensure adequate documentation is gathered when a student withdraws from Brownstown Central High School are as follows:

- Guidance counselors, guidance secretary and administration watched the video provided by the DOE on graduate rate and cohort training.
- Guidance counselors will continue to obtain request for records from the school the student plans to attend. This request for records request will be scanned into student's permanent record file.
- Parents will continue to have to sign a home school document when they withdraw their child to homeschool. This document also encourages parents to register for homeschooling on the DOE website.
- Administration will continue to make every effort to track down students that leave during the summer, move out-of-state or for other miscellaneous reasons to obtain proper documentation.

We started our corrective action plan on May 1, 2016 and are continuing to follow the steps listed above.

Joseph T. Sheffer
(Signature)

Principal
(Title)

4-24-2018
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

Accredited by the Indiana Department of Education

BROWNSTOWN CENTRAL HIGH SCHOOL

500 North Elm Street
Brownstown, Indiana 47220

Joseph Sheffer
Principal
(812) 358-3453



Mark DeHart
Assistant Principal
Athletic Director
(812) 358-3453

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Kayia Davis/Joe Sheffer
Contact Phone Number: 812-358-3453

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Internal controls established to separate incompatible activities related to receipts, disbursements, cash and investments of School Lunch are as followed:

1. This is in reference to the Brownstown Central High School. The cashiers will enter money into students' accounts. A receipt will be written by the Lunch Fund Treasurer to the cashier at the time money is passed to the Treasurer for deposit into the Lunch Fund Account. The Lunch Fund Treasurer will print out a BCHS Bank Deposit Report containing a list of money entered into accounts by cashiers. This will be used when preparing the bank deposit. The Food Service Coordinator will sign off on report stating the report and bank deposit are in balance and money will then be taken to the bank for deposit by the Lunch Fund Treasurer. Upon completion of the deposit, a copy of the bank's deposit receipt will then be attached to the bank deposit report verified earlier by the Food Service Coordinator.
2. This is in reference to Brownstown Central Middle and Elementary School. The elementary and middle school will adopt a similar policy as the high school, with the exception of the cashiers. The Lunch Secretary will enter money into students' accounts. A second person will verify and initial the bank deposit report. The deposit will be brought to the High School to be verified by the Lunch Fund Treasurer and Food Service Coordinator.
3. This is in reference to all Financial Reports submitted for approval. The Lunch Fund Treasurer will prepare the financial reports, sign as the person preparing and submit them to the Food Service Coordinator. The Food Service Coordinator will then check and sign the reports indicating approval of the report before passing the information to the School Board or Corporation Treasurer.

Anticipated Completion Date: May 1, 2018

Kayia Davis
(Signature)

Lunch Fund Treasurer
(Title)

4-25-18
(Date)

Brownstown Central Community School Corporation

608 W. Commerce Street - Brownstown, IN 47220 - Telephone (812) 358-4271 - Fax (812) 358-5303

CORRECTIVE ACTION PLAN

Finding 2016-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Patsy Hess, Treasurer
Contact Phone Number: 812-358-4271

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Internal controls established to insure a proper system is in place to prevent, detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA).

1. The Corporation Treasurer will work with department heads to prepare the SEFA on Gateway. The Corporation Treasurer will supply the Business Manager with all information available in order to approve and verify the accuracy of the information and amounts on Gateway.
2. Corporation Treasurer will keep a list of all Federal programs received including the name of the pass-through entity and identifying numbers and CFDA number or other identifying number when the CFDA information is not available.

Anticipated Completion Date: May 1, 2018

Patsy Hess
(Signature)

Treasurer
(Title)

4-18-18
(Date)

BROWNSTOWN CENTRAL HIGH SCHOOL

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Joseph Sheffer
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Mark DeHart
Assistant Principal
Athletic Director
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CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Kayia Davis/Joe Sheffer
Contact Phone Number: 812-358-3453

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Cash Management: The Lunch Fund Treasurer prepares the monthly board report. The Lunch Fund Treasurer and the Food Service Coordinator will review and sign this statement to verify the three-month average does not exceed the maximum allowable for a non-profit entity.

Eligibility: This is in reference to Free and Reduced Price Meal Applications. The Lunch Fund Treasurer will review and enter application information into the food service software, Harmony. A second person will then verify that the information and determination is accurate. Once the application is verified, that person will initial and date the application.

Program Income: This is in reference to the Program Income. The Food Service Director will review all monthly cafeteria sales reports and all supporting documentation for all schools to ensure that all program income is properly determined and recorded. The Food Service Coordinator and the Lunch Fund Treasurer will initial and date as proof of review.

Reporting: This is in reference to the Annual Financial Reports, School Food Authority Verification Collection Reports, and Monthly Sponsor Claim for Reimbursement forms. The Lunch Fund Treasurer will prepare all reports, then send to the Food Service Coordinator for review. The Lunch Fund Treasurer and the Food Service Coordinator will sign as proof of review.

Procurement, Suspension, and Debarment: This is in reference to Procurement, Suspension, and Debarment. Annually, the Food Service Coordinator will recommend to the School Board that the HPS membership be renewed. The Food Service Department will request a statement from HPS verifying that no vendors used have been suspended or debarred. Documentation will be kept in the Food Service Department.

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Verification of Free and Reduced Priced Applications: This is in reference to the Verification of Free and Reduced Priced Application Report. The Lunch Fund Treasurer will conduct the verification process, then submit the report to the Food Service Coordinator for review. The Treasurer and Food Service Coordinator will sign as proof of review.

School Food Account: This is in reference to the School Food Account. Monthly financial reports and supporting documentation will be submitted to the Food Service Coordinator for review. The Treasurer and the Food Service Coordinator will sign as proof of review.

Paid Lunch Equity: The Lunch Fund Treasurer will prepare the report and submit to the Food Service Coordinator for review. The Treasurer and the Food Service Coordinator will sign as proof of review.

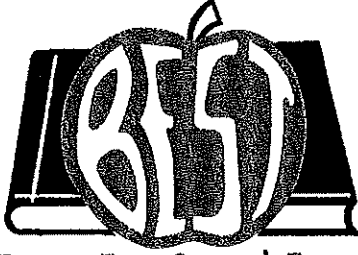
Anticipated Completion Date: May 1, 2018

Kayla Davis
(Signature)

Lunch Fund Treasurer
(Title)

4-25-18
(Date)

OUR MISSION . . .



BUILDING EVERY STUDENT'S TALENTS

BROWNSTOWN

Mrs. Chrystal Street
Principal

Mr. Mike Kelley
Asst. Principal

Mrs. Jill Miller
Guidance Counselor

ELEMENTARY • SCHOOL

CORRECTIVE ACTION PLAN

Finding 2016-004 – Internal Controls over Title 1 Grants to Local Educational Agencies

Contact Person Responsible for Corrective Action: Chrystal Street, Elementary Principal and Title 1 Director

Contact Phone Number: 812-358-3680

VIEWS OF RESPONSIBLE OFFICIAL: We concur with the finding

Description of Corrective Action Plan:

Internal controls established to insure the School in compliance with the Grant Agreement and Compliance requirements.

1. The Title 1 Director will verify all information submitted to the technology technician in order to submit Real Time Report
2. Concerning expenditures and reporting, the Superintendent or Business Manager will verify all expenditures concerning Federal Grants and also verify all reimbursement requests prepared by the Corporation Treasurer to avoid substantial risk of invalid transactions.
3. The Title 1 Director will complete the Time/Effort and Semi Annual Certifications. The Superintendent and Treasurer will sign each copy. A copy of the reports will be kept in the Title 1 Files and a copy will be given to the Treasurer.
4. Title 1 Director will place the names of the Title 1 Employees in the Title 1 Grant Application folder.

Anticipated Completion Date: May 1, 2018

Chrystal Street
(Signature)

Principal / Title 1 Director
(Title)

4.26.18
(Date)

OTHER REPORTS

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