

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
HENRY COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
08/22/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Stephanie L. Madison	07-01-14 to 06-30-19
Superintendent of Schools	Jediah T. Behny	07-01-14 to 06-30-19
President of the School Board	Wade Beatty	01-01-14 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CHARLES A. BEARD MEMORIAL
SCHOOL CORPORATION, HENRY COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Charles A. Beard Memorial 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 July 30, 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

July 30, 2018



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

TO: THE OFFICIALS OF THE CHARLES A. BEARD MEMORIAL
SCHOOL CORPORATION, HENRY 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 Charles A. Beard Memorial 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 July 30, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and a significant deficiency.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002 to be a significant deficiency.

Compliance and Other Matters


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

Charles A. Beard Memorial 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

July 30, 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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CHARLES A. BEARD MEMORIAL 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	\$ 600,529	\$ 7,909,527	\$ 7,847,678	\$ 31,196	\$ 693,574	\$ 8,092,167	\$ 7,459,168	\$ 52,228	\$ 1,378,801
Debt Service	179,425	2,172,512	1,922,833	-	429,104	2,245,291	1,863,617	(7,334)	803,444
Capital Projects	337,189	1,115,126	1,213,505	-	238,810	1,211,103	1,100,139	-	349,774
School Transportation	309,348	989,280	795,583	(50,000)	453,045	1,060,187	996,105	(100,000)	417,127
School Bus Replacement	122,812	230,925	229,466	-	124,271	218,632	170,063	-	172,840
Rainy Day	211,607	-	-	50,000	261,607	16,428	53,165	100,000	324,870
Construction	1,498	-	326	-	1,172	-	1,149	-	23
School Lunch	229,822	540,167	476,742	2,992	296,239	554,722	734,764	-	116,197
Textbook Rental	44,395	93,718	37,516	-	100,597	92,706	109,312	-	83,991
Levy Excess	-	2,188	-	-	2,188	-	-	-	2,188
Educational License Plates	206	38	-	-	244	19	-	-	263
Henry Co Community Foundation Grant	-	3,156	3,156	-	-	-	-	-	-
Play 30 Grant 12/13	-	-	-	-	-	-	-	-	-
FUTP 60 Grant	2,962	-	2,962	-	-	-	-	-	-
Play 60 Grant 14/15	-	2,700	1,638	-	1,062	-	1,062	-	-
Dairy Grant	13	-	-	-	13	-	13	-	-
WKPW Construction Donations	-	-	-	-	-	1,260	1,260	-	-
Scholarships and Awards	-	-	-	-	-	16,000	16,000	-	-
Miscellaneous Programs	5,573	875	1,000	-	5,448	2,875	3,000	-	5,323
Tech Prep	-	-	-	-	-	-	-	-	-
Computer Consortium/Ed Tech Advance	-	114,581	114,581	-	-	-	-	-	-
Secured Schools Safety Grant	-	58,060	61,375	-	(3,315)	53,313	49,998	-	-
School Technology	46,845	29,799	9,321	-	67,323	18,889	66,569	-	19,643
Performance Based Awards	-	10,159	10,159	-	-	-	-	-	-
15/16 Excellence in Performance Grant	-	-	-	-	-	4,238	4,238	-	-
Miscellaneous Programs	729	-	729	-	-	-	-	-	-
High Ability 14/15	-	29,859	27,353	-	2,506	-	2,506	-	-
High Ability 15/16	-	-	-	-	-	30,466	30,466	-	-
ISTA Settlement	413,665	-	413,665	-	-	-	-	-	-
Title I 2012-2013	-	-	-	-	-	-	-	-	-
Title I 2013-2014	(20,458)	40,568	20,110	-	-	-	-	-	-
Title I 2014-2015	-	118,968	125,643	-	(6,675)	67,903	61,228	-	-
Title I 2015-2016	-	-	-	-	-	145,508	155,770	-	(10,262)
Title II 2013-2014	-	-	-	-	-	7,566	16,466	-	(8,900)
Title II 2012-2013	-	-	-	-	-	-	-	-	-
Title II-A Improving Teacher Quality 2013-2014	(485)	14,901	14,862	-	(446)	7,030	6,584	-	-
Title I - Grants to LEAs	-	-	-	-	-	-	-	-	-
Payroll Fund	(68,493)	1,562,154	1,538,065	-	(44,404)	1,566,979	1,478,375	-	44,200
Prepaid Food	-	-	-	-	-	6,231	3	-	6,228
Totals	\$ 2,417,182	\$ 15,039,261	\$ 14,868,268	\$ 34,188	\$ 2,622,363	\$ 15,419,513	\$ 14,381,020	\$ 44,894	\$ 3,705,750

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

CHARLES A. BEARD MEMORIAL 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.

CHARLES A. BEARD MEMORIAL 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.

Temporary loans. Amounts received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CHARLES A. BEARD MEMORIAL 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. For most funds, it is a result of reimbursable state and federal grants. For the Payroll Fund, it is a result of posting errors from prior years, which were remedied during the audit period.

Note 8. Holding Corporation

The School Corporation has entered into two capital leases with Knightstown High School Bldg Corp (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2015 and 2016 totaled \$850,500 and \$851,500, respectively.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Events

On December 15, 2016, the Board of School Trustees issued \$1,100,000 of General Obligation Bonds for the construction of Knightstown High School baseball field and replacement of the Knightstown Elementary School roof.

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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.

CHARLES A. BEARD MEMORIAL 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	School Lunch
Cash and investments - beginning	\$ 600,529	\$ 179,425	\$ 337,189	\$ 309,348	\$ 122,812	\$ 211,607	\$ 1,498	\$ 229,822
Receipts:								
Local sources	32,608	2,172,512	834,189	817,980	182,925	-	-	205,470
Intermediate sources	215	-	-	-	-	-	-	-
State sources	7,774,071	-	-	-	-	-	-	5,551
Federal sources	-	-	-	-	-	-	-	306,358
Temporary loans	76,000	-	199,000	171,000	48,000	-	-	-
Other receipts	26,633	-	81,937	300	-	-	-	22,788
Total receipts	7,909,527	2,172,512	1,115,126	989,280	230,925	-	-	540,167
Disbursements:								
Instruction	4,764,754	-	-	-	-	-	-	-
Support services	2,133,796	-	659,611	744,583	169,466	-	-	3,792
Noninstructional services	300,527	-	-	-	-	-	-	472,950
Facilities acquisition and construction	601	-	285,894	-	-	-	326	-
Debt service	648,000	1,922,833	268,000	51,000	60,000	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	7,847,678	1,922,833	1,213,505	795,583	229,466	-	326	476,742
Excess (deficiency) of receipts over disbursements	61,849	249,679	(98,379)	193,697	1,459	-	(326)	63,425
Other financing sources (uses):								
Sale of capital assets	31,196	-	-	-	-	-	-	2,992
Transfers in	-	-	-	-	-	50,000	-	-
Transfers out	-	-	-	(50,000)	-	-	-	-
Total other financing sources (uses)	31,196	-	-	(50,000)	-	50,000	-	2,992
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	93,045	249,679	(98,379)	143,697	1,459	50,000	(326)	66,417
Cash and investments - ending	\$ 693,574	\$ 429,104	\$ 238,810	\$ 453,045	\$ 124,271	\$ 261,607	\$ 1,172	\$ 296,239

CHARLES A. BEARD MEMORIAL 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

	Textbook Rental	Levy Excess	Educational License Plates	Henry Co Community Foundation Grant	Play 30 Grant 12/13	FUTP 60 Grant	Play 60 Grant 14/15	Dairy Grant
Cash and investments - beginning	\$ 44,395	\$ -	\$ 206	\$ -	\$ -	\$ 2,962	\$ -	\$ 13
Receipts:								
Local sources	46,105	2,188	-	3,156	-	-	2,700	-
Intermediate sources	-	-	38	-	-	-	-	-
State sources	42,026	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	5,587	-	-	-	-	-	-	-
Total receipts	93,718	2,188	38	3,156	-	-	2,700	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	37,516	-	-	-	-	2,962	1,638	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	3,156	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	37,516	-	-	3,156	-	2,962	1,638	-
Excess (deficiency) of receipts over disbursements	56,202	2,188	38	-	-	(2,962)	1,062	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	56,202	2,188	38	-	-	(2,962)	1,062	-
Cash and investments - ending	\$ 100,597	\$ 2,188	\$ 244	\$ -	\$ -	\$ -	\$ 1,062	\$ 13

CHARLES A. BEARD MEMORIAL 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

	WKPW Construction Donations	Scholarships and Awards	Miscellaneous Programs	Tech Prep	Computer Consortium/ Ed Tech Advance	Secured Schools Safety Grant	School Technology	Performance Based Awards
Cash and investments - beginning	\$ -	\$ -	\$ 5,573	\$ -	\$ -	\$ -	\$ 46,845	\$ -
Receipts:								
Local sources	-	-	875	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	114,581	57,897	27,900	10,159
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	163	1,899	-
Total receipts	-	-	875	-	114,581	58,060	29,799	10,159
Disbursements:								
Instruction	-	-	-	-	-	-	-	10,159
Support services	-	-	-	-	114,581	-	9,321	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	61,375	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,000	-	-	-	-	-
Total disbursements	-	-	1,000	-	114,581	61,375	9,321	10,159
Excess (deficiency) of receipts over disbursements	-	-	(125)	-	-	(3,315)	20,478	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(125)	-	-	(3,315)	20,478	-
Cash and investments - ending	\$ -	\$ -	\$ 5,448	\$ -	\$ -	\$ (3,315)	\$ 67,323	\$ -

CHARLES A. BEARD MEMORIAL 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

	15/16 Excellence In Performance Grant	Miscellaneous Programs	High Ability 14/15	High Ability 15/16	ISTA Settlement	Title I 2012-2013	Title I 2013-2014	Title I 2014-2015
Cash and investments - beginning	\$ -	\$ 729	\$ -	\$ -	\$ 413,665	\$ -	\$ (20,458)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	29,859	-	-	-	-	-
Federal sources	-	-	-	-	-	-	40,568	118,968
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	29,859	-	-	-	40,568	118,968
Disbursements:								
Instruction	-	729	27,353	-	283,362	-	20,110	122,550
Support services	-	-	-	-	128,027	-	-	-
Noninstructional services	-	-	-	-	2,276	-	-	3,093
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	729	27,353	-	413,665	-	20,110	125,643
Excess (deficiency) of receipts over disbursements	-	(729)	2,506	-	(413,665)	-	20,458	(6,675)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(729)	2,506	-	(413,665)	-	20,458	(6,675)
Cash and investments - ending	\$ -	\$ -	\$ 2,506	\$ -	\$ -	\$ -	\$ -	\$ (6,675)

CHARLES A. BEARD MEMORIAL 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 2015-2016	Title II 2013-2014	Title II 2012-2013	Title II-A Improving Teacher Quality 2013-2014	Title I - Grants to LEAs	Payroll Fund	Prepaid Food	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (485)	\$ -	\$ (68,493)	\$ -	\$ 2,417,182
Receipts:								
Local sources	-	-	-	-	-	-	-	4,300,708
Intermediate sources	-	-	-	-	-	-	-	253
State sources	-	-	-	-	-	-	-	8,062,044
Federal sources	-	-	-	14,901	-	-	-	480,795
Temporary loans	-	-	-	-	-	-	-	494,000
Other receipts	-	-	-	-	-	1,562,154	-	1,701,461
Total receipts	-	-	-	14,901	-	1,562,154	-	15,039,261
Disbursements:								
Instruction	-	-	-	-	-	-	-	5,229,017
Support services	-	-	-	14,862	-	-	-	4,020,155
Noninstructional services	-	-	-	-	-	-	-	778,846
Facilities acquisition and construction	-	-	-	-	-	-	-	351,352
Debt service	-	-	-	-	-	-	-	2,949,833
Nonprogrammed charges	-	-	-	-	-	1,538,065	-	1,539,065
Total disbursements	-	-	-	14,862	-	1,538,065	-	14,868,268
Excess (deficiency) of receipts over disbursements	-	-	-	39	-	24,089	-	170,993
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	34,188
Transfers in	-	-	-	-	-	-	-	50,000
Transfers out	-	-	-	-	-	-	-	(50,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	34,188
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	39	-	24,089	-	205,181
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (446)	\$ -	\$ (44,404)	\$ -	\$ 2,622,363

CHARLES A. BEARD MEMORIAL 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	School Lunch
Cash and investments - beginning	\$ 693,574	\$ 429,104	\$ 238,810	\$ 453,045	\$ 124,271	\$ 261,607	\$ 1,172	\$ 296,239
Receipts:								
Local sources	21,294	2,245,291	848,653	846,919	173,632	16,428	-	210,318
Intermediate sources	68	-	-	-	-	-	-	-
State sources	7,662,894	-	-	-	-	-	-	5,104
Federal sources	-	-	-	-	-	-	-	316,667
Temporary loans	376,000	-	272,000	167,000	45,000	-	-	-
Other receipts	31,911	-	90,450	46,268	-	-	-	22,633
Total receipts	8,092,167	2,245,291	1,211,103	1,060,187	218,632	16,428	-	554,722
Disbursements:								
Instruction	4,742,820	-	-	-	-	-	-	-
Support services	2,329,566	-	665,069	825,105	122,063	-	-	5,656
Noninstructional services	310,278	-	-	-	-	-	-	729,108
Facilities acquisition and construction	504	-	236,070	-	-	53,165	1,149	-
Debt service	76,000	1,863,617	199,000	171,000	48,000	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	7,459,168	1,863,617	1,100,139	996,105	170,063	53,165	1,149	734,764
Excess (deficiency) of receipts over disbursements	632,999	381,674	110,964	64,082	48,569	(36,737)	(1,149)	(180,042)
Other financing sources (uses):								
Sale of capital assets	52,228	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	100,000	-	-
Transfers out	-	(7,334)	-	(100,000)	-	-	-	-
Total other financing sources (uses)	52,228	(7,334)	-	(100,000)	-	100,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	685,227	374,340	110,964	(35,918)	48,569	63,263	(1,149)	(180,042)
Cash and investments - ending	\$ 1,378,801	\$ 803,444	\$ 349,774	\$ 417,127	\$ 172,840	\$ 324,870	\$ 23	\$ 116,197

CHARLES A. BEARD MEMORIAL 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

	Textbook Rental	Levy Excess	Educational License Plates	Henry Co Community Foundation Grant	Play 30 Grant 12/13	FUTP 60 Grant	Play 60 Grant 14/15	Dairy Grant
Cash and investments - beginning	\$ 100,597	\$ 2,188	\$ 244	\$ -	\$ -	\$ -	\$ 1,062	\$ 13
Receipts:								
Local sources	41,000	-	-	-	-	-	-	-
Intermediate sources	-	-	19	-	-	-	-	-
State sources	43,127	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	8,579	-	-	-	-	-	-	-
Total receipts	92,706	-	19	-	-	-	-	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	109,312	-	-	-	-	-	1,062	13
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	109,312	-	-	-	-	-	1,062	13
Excess (deficiency) of receipts over disbursements	(16,606)	-	19	-	-	-	(1,062)	(13)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,606)	-	19	-	-	-	(1,062)	(13)
Cash and investments - ending	\$ 83,991	\$ 2,188	\$ 263	\$ -	\$ -	\$ -	\$ -	\$ -

CHARLES A. BEARD MEMORIAL 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

	WKPW Construction Donations	Scholarships and Awards	Miscellaneous Programs	Tech Prep	Computer Consortium/ Ed Tech Advance	Secured Schools Safety Grant	School Technology	Performance Based Awards
Cash and investments - beginning	\$ -	\$ -	\$ 5,448	\$ -	\$ -	\$ (3,315)	\$ 67,323	\$ -
Receipts:								
Local sources	1,260	16,000	2,875	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	53,313	12,157	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	6,732	-
Total receipts	<u>1,260</u>	<u>16,000</u>	<u>2,875</u>	<u>-</u>	<u>-</u>	<u>53,313</u>	<u>18,889</u>	<u>-</u>
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	66,569	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,260	-	-	-	-	49,998	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	16,000	3,000	-	-	-	-	-
Total disbursements	<u>1,260</u>	<u>16,000</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>49,998</u>	<u>66,569</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>(125)</u>	<u>-</u>	<u>-</u>	<u>3,315</u>	<u>(47,680)</u>	<u>-</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<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>-</u>	<u>-</u>	<u>(125)</u>	<u>-</u>	<u>-</u>	<u>3,315</u>	<u>(47,680)</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,643</u>	<u>\$ -</u>

CHARLES A. BEARD MEMORIAL 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

	15/16 Excellence In Performance Grant	Miscellaneous Programs	High Ability 14/15	High Ability 15/16	ISTA Settlement	Title I 2012-2013	Title I 2013-2014	Title I 2014-2015
Cash and investments - beginning	\$ -	\$ -	\$ 2,506	\$ -	\$ -	\$ -	\$ -	\$ (6,675)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	4,238	-	-	30,466	-	-	-	-
Federal sources	-	-	-	-	-	-	-	67,903
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	4,238	-	-	30,466	-	-	-	67,903
Disbursements:								
Instruction	4,238	-	2,506	30,466	-	-	-	61,228
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	4,238	-	2,506	30,466	-	-	-	61,228
Excess (deficiency) of receipts over disbursements	-	-	(2,506)	-	-	-	-	6,675
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(2,506)	-	-	-	-	6,675
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CHARLES A. BEARD MEMORIAL 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 2015-2016	Title II 2013-2014	Title II 2012-2013	Title II-A Improving Teacher Quality 2013-2014	Title I - Grants to LEAs	Payroll Fund	Prepaid Food	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (446)	\$ -	\$ (44,404)	\$ -	\$ 2,622,363
Receipts:								
Local sources	-	-	-	-	-	-	-	4,423,670
Intermediate sources	-	-	-	-	-	-	-	87
State sources	-	-	-	-	-	-	-	7,811,299
Federal sources	145,508	7,566	-	7,030	-	-	-	544,674
Temporary loans	-	-	-	-	-	-	-	860,000
Other receipts	-	-	-	-	-	1,566,979	6,231	1,779,783
Total receipts	145,508	7,566	-	7,030	-	1,566,979	6,231	15,419,513
Disbursements:								
Instruction	128,436	-	-	-	-	-	-	4,969,694
Support services	25,443	16,466	-	6,584	-	-	-	4,172,908
Noninstructional services	1,891	-	-	-	-	-	-	1,041,277
Facilities acquisition and construction	-	-	-	-	-	-	-	342,146
Debt service	-	-	-	-	-	-	-	2,357,617
Nonprogrammed charges	-	-	-	-	-	1,478,375	3	1,497,378
Total disbursements	155,770	16,466	-	6,584	-	1,478,375	3	14,381,020
Excess (deficiency) of receipts over disbursements	(10,262)	(8,900)	-	446	-	88,604	6,228	1,038,493
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	52,228
Transfers in	-	-	-	-	-	-	-	100,000
Transfers out	-	-	-	-	-	-	-	(107,334)
Total other financing sources (uses)	-	-	-	-	-	-	-	44,894
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,262)	(8,900)	-	446	-	88,604	6,228	1,083,387
Cash and investments - ending	\$ (10,262)	\$ (8,900)	\$ -	\$ -	\$ -	\$ 44,200	\$ 6,228	\$ 3,705,750

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CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 302,630</u>	<u>\$ -</u>

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Daimler Truck Financial	2017 School Bus	\$ 18,951	04/12/16	07/01/20
Knightstown High School Bldg Corp	High School 2009 Bond	688,000	08/05/09	01/10/24
Knightstown High School Bldg Corp	High School 2009 QSCB	163,500	12/30/09	01/01/25
MacAllister Machinery	Tractor	6,118	08/25/14	03/01/19
Santander Bank N.A.	2014 School Bus	17,215	11/19/13	11/21/18
Santander Bank N.A.	2014 Activity Bus	<u>9,772</u>	05/29/15	01/06/20
Total governmental activities		<u>903,556</u>		
Total of annual lease payments		<u>\$ 903,556</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Tax anticipation warrants	Tax Anticipation Warrants	\$ 860,000	\$ 874,841
Notes and loans payable	Common School Loan A0471	3,211,200	393,372
Notes and loans payable	Common School Loan A0488	2,593,125	446,018
Notes and loans payable	Common School Loan A0501	615,000	105,780
Notes and loans payable	Common School Loan A1809	<u>91,665</u>	<u>23,776</u>
Total governmental activities		<u>7,370,990</u>	<u>1,843,787</u>
Totals		<u>\$ 7,370,990</u>	<u>\$ 1,843,787</u>

CHARLES A. BEARD MEMORIAL 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	\$ 411,550
Buildings	24,696,272
Improvements other than buildings	1,641,134
Machinery, equipment, and vehicles	<u>2,289,978</u>
Total governmental activities	<u>29,038,934</u>
Total capital assets	<u><u>\$ 29,038,934</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE CHARLES A. BEARD MEMORIAL
SCHOOL CORPORATION, HENRY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2016-004 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Special Tests and Provisions - Paid Lunch Equity. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

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

As described in item 2016-010 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of its Child Nutrition Cluster regarding Special Tests and Provisions - Paid Lunch Equity and except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraphs, 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 its Child Nutrition Cluster for the period of July 1, 2014 to June 30, 2016.

Unmodified Opinion on Special Education Cluster (IDEA)

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 the Special Education Cluster (IDEA) for the period of July 1, 2014 to June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-005 and 2016-009. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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


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

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 2016-004, 2016-005, 2016-009, and 2016-010 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-006, 2016-007, and 2016-008 to be significant deficiencies.

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

July 30, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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CHARLES A. BEARD MEMORIAL 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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 15	\$ -	\$ 49,493	\$ -	\$ -
			FY 16	-	-	-	56,187
Total - School Breakfast Program				-	49,493	-	56,187
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 15	-	256,865	-	-
			FY 16	-	-	-	260,480
Commodities			FY 15	-	39,012	-	-
			FY 16	-	-	-	40,126
Total - National School Lunch Program				-	295,877	-	300,606
Total - Child Nutrition Cluster				-	345,370	-	356,793
Total - Department of Agriculture				-	345,370	-	356,793
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Special Education FY2013	Indiana Department of Education	84.027	14213-044-PN01	-	57	-	-
Special Education FY2014			14214-044-PN01	-	76,051	-	-
Special Education FY2015			14215-044-PN01	-	197,494	-	113,065
Special Education FY2016			14216-042-PN01	-	-	-	196,242
Technical Assistance			99914-044-PN01	-	3,685	-	-
Total - Special Education Grants to States				-	277,287	-	309,307
Special Education Preschool Grants							
Special Education FY2014	Indiana Department of Education	84.173	45714-044-PN01	-	6,153	-	-
Special Education FY2015			45715-044-PN01	-	12,983	-	6,899
Special Education FY2016			45716-042-PN01	-	-	-	12,151
Total - Special Education Preschool Grants				-	19,136	-	19,050
Total - Special Education Cluster (IDEA)				-	296,423	-	328,357
Title I Grants to Local Educational Agencies							
Title I Basic Grant FY2014	Indiana Department of Education	84.010	14-3455	-	40,568	-	-
Title I Basic Grant FY2015			15-3455	-	118,967	-	67,905
Title I Basic Grant FY2016			16-3455	-	-	-	145,508
Total - Title I Grants to Local Educational Agencies				-	159,535	-	213,413
Supporting Effective Instruction State Grants							
Title II FY2013	Indiana Department of Education	84.367	13-3455	-	14,901	-	7,030
Title II FY2014			14-3455	-	-	-	7,566
Total - Supporting Effective Instruction State Grants				-	14,901	-	14,596
Total - Department of Education				-	470,859	-	556,366
Total federal awards expended				\$ -	\$ 816,229	\$ -	\$ 913,159

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

CHARLES A. BEARD MEMORIAL 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. Special Education Cooperative

The School Corporation is a member of the New Castle Area Special Services Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

CHARLES A. BEARD MEMORIAL 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 weakness identified?	yes
Significant deficiency identified?	yes
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unmodified for Special Education Cluster (IDEA); Qualified for Child Nutrition Cluster
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2016-001

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

Repeat Finding

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Context

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

The SEFA presented for audit contained the following errors:

1. The Title I Grants to Local Educational Agencies expenditures were over-reported for the year ending June 30, 2015, causing an overstatement of \$40,568.
2. The National School Lunch Program commodity expenditures were over-reported for the years ending June 30, 2015 and 2016, causing an overstatement of \$2,032 and \$2,965, respectively.

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. . . ."

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

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 related to the preparation of the SEFA.

Views of Responsible Officials

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2016-002

Subject: Financial Transactions and Reporting
Audit Finding: Significant Deficiency

Repeat Finding

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

Condition

The School Corporation had not separated incompatible activities related to cash and investments. The Treasurer was responsible for preparing and reviewing the bank reconciliations. An additional review of the bank reconciliations by another employee was not completed.

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. . . ."

Cause

Management had not established a proper system of internal control.

Effect

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting.

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 - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 15, FY 16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Significant Deficiency

Repeat Finding

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

Condition

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

The School Corporation did not have a control procedure in place to ensure compliance with requirements related to the Annual Financial Report.

Context

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

Criteria

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

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

CHARLES A. BEARD MEMORIAL 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 would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system, which would have included segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-004

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 15, FY 16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Findings: Material Weakness, Modified Opinion

Condition

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Procedures established to ensure that the School Corporation's preparation and reporting of the Paid Lunch Equity calculation for the National School Lunch Program were not effective. The School Corporation did not have policies or procedures in place to ensure Special Tests and Provisions - Paid Lunch Equity requirements were properly calculated and considered. The School Corporation did not retain its Paid Lunch Equity calculation documentation for the 2014-2015 school year; therefore, it could not be determined if the School Corporation was in compliance with the Special Tests and Provisions - Paid Lunch Equity requirements.

Context

The lack of controls was a systemic issue throughout the audit period. Compliance with the Special Tests and Provisions - Paid Lunch Equity could not be determined for the 2014-2015 school year.

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). . . ."

7 CFR 210.15(b) states in part:

"*Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

(6) Records to document compliance with the requirements in § 210.14(e); . . ."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

(1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

(i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(ii) Otherwise reasonably considered as pertinent to the program regulations or the grant agreement. . . .

(b) *Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management had not developed a system of internal controls that would have ensured proper supporting documentation was maintained and made available for audit relating to the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Effect

The failure to establish an effective internal control system prevented the determination of the School Corporation's compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement. We also recommended that the School Corporation's management complete the required calculations for Paid Lunch Equity and retain adequate supporting documentation for those calculations.

Views of Responsible Officials

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2016-005

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

Repeat Finding

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

Condition

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

The School Corporation failed to comply with the Cash Management compliance requirement that the net cash resources in the School Lunch fund should not exceed 3 months average expenditures for its nonprofit school food service program. The net cash resources in the School Lunch fund exceeded 3 months average expenditures for 18 out of 24 months during the audit period.

Context

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 210.14(b) states: "*Net cash resources*. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . . "

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Cash Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2016-006

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 15, FY 16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Significant Deficiency

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 Eligibility compliance requirement.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation did not have a control procedure in place to ensure the eligibility determinations were being reviewed after the initial determination.

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(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 would have ensured compliance with the Eligibility compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2016-007

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

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-044-PN01, 14216-042-PN01,
45715-044-PN01, 45716-042-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Activities Allowed or Unallowed

Audit Finding: Significant Deficiency

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2014-005.

Condition

The School Corporation was a member school corporation of the New Castle Area Special Services Cooperative (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During the audit period, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations. Since the grant agreements were between the Indiana Department of Education and each member school corporation of the Cooperative, the member school corporation was ultimately responsible for following the requirements related to the Activities Allowed or Unallowed compliance requirement.

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 Activities Allowed or Unallowed compliance requirement.

Context

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

Criteria

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

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

CHARLES A. BEARD MEMORIAL 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 would have ensured compliance with the Activities Allowed or Unallowed compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed compliance requirement.

Views of Responsible Officials

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

FINDING 2016-008

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

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-044-PN01, 14216-042-PN01,
45715-044-PN01, 45716-042-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Finding: Significant Deficiency

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2014-005.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

The School Corporation was a member school corporation of the New Castle Area Special Services Cooperative (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During the audit period, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations. Since the grant agreements were between Indiana Department of Education and each member school corporation of the Cooperative, the member school corporation was ultimately responsible for following the requirements related to the Allowable Costs/Cost Principles compliance requirement.

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

There was no control procedure in place to ensure that all employees paid from the Special Education Cluster (IDEA) were allowed.

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(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 would have ensured compliance with the Allowable Costs/Cost Principle compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-009

Subject: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 15, FY 16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Other Matters

Condition

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

The entire amount of adult and student prepaid food advance deposits were recognized in the School Lunch fund, Fund 800, at the end of each month. The School Corporation had not established Fund 8400 - Prepaid Food to account for advance deposits made to individual student and adult prepaid food accounts. As a result, revenue was recognized in advance of being earned as the deposits were always recognized in the same month in which the monies were received rather than when meals were served. Therefore, the cash balance in the School Lunch fund, included prepaid amounts that had not been earned.

Context

The lack of controls and noncompliance were systemic issues, which occurred through the audit period. The required Prepaid Food fund was not implemented until the last month of 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. . . ."

CHARLES A. BEARD MEMORIAL 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). . . ."

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Administrator and Uniform Compliance Guidelines, September 2008)

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Program Income compliance requirement.

Views of Responsible Officials

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

FINDING 2016-010

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 15, FY 16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

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 Procurement and Suspension and Debarment compliance requirements.

Procurement

The School Corporation did not procure bids or enter into contracts with vendors of the school lunch program.

Suspension and Debarment

There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs. The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

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

CHARLES A. BEARD MEMORIAL 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). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the ELPS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

2 CRF 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

7 CFR 3016.36(d) states in part:

"Methods of procurement to be followed.

- (1) Procurement by *small purchase procedures*. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources. . . ."

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . .

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

(2) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

(iii) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

(iv) Otherwise reasonably considered as pertinent to the program regulations or the grant agreement. . . .

(b) *Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirements.

Questioned Costs

There were no questioned costs identified.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Procurement and Suspension and Debarment compliance requirements.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

Charles A. Beard Memorial School Corporation

8139 W US Hwy 40
Knightstown, Indiana 46148

School Board

Wade Beatty, President
Cynthia Neal, Vice President
Gerald Leonard, Secretary
John Swartz
Steve Ferrell
Thomas Schaetzle
Graham Richardson



Jediah Behny
Superintendent

Voice: 765-345-5101
Fax: 765-345-5103

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-003

Fiscal year in which the finding initially occurred: 2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Status of Audit Finding: The business office has made an effort to have reports reviewed and initialed by a minimum of two people creating documentation in the approval process.

Date of Completion: May 24, 2016

FINDING 2014-004 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Status of Audit Finding: Charles A Beard Memorial School Corporation purchased equipment to upgrade kitchens in fiscal year 2016. This resulted in a decreased fund balance for food service ensuring that we would be compliant with 7 CFR 210.14(b).

Date of Completion: May 31, 2016

FINDING 2014-005

Fiscal year in which the finding initially occurred: 2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Jediah Behny
Contact Phone Number: 765-345-5101

Status of Audit Finding: As a member of the NCASS board of directors, we were able to ensure that the cooperative adopted the internal controls of New Castle Community School Corporation, which includes oversight abilities of the board.

Date of Completion: May 24, 2016

AN EQUAL OPPORTUNITY EMPLOYER

Charles A. Beard Memorial School Corporation

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John Swartz
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Thomas Schaetzle
Graham Richardson



Jediah Behny
Superintendent

Voice: 765-345-5101
Fax: 765-345-5103

A handwritten signature in blue ink, appearing to read "Jediah Behny", is written over a horizontal line.

(Signature)

SUPERINTENDENT

(Title)

7.24.18

(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).)

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Jediah Behny
Superintendent

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Fax: 765-345-5103

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation will establish effective internal controls by adding an additional layer of oversight through inclusion of the superintendent and fiscal officer in the review and submission process of the Schedule of Expenditures of Federal Awards.

Anticipated Completion Date: July 1, 2018

FINDING 2016-002

Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation has established effective internal controls by adding an additional layer of oversight through inclusion of the superintendent and fiscal officer in the review of bank reconciliations.

Completion Date: July 1, 2016

FINDING 2016-003

Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation will establish effective internal controls by adding an additional layer of oversight through inclusion of the fiscal officer and the food service director in the review and approval of School Nutrition reports.

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Jediah Behny
Superintendent

Voice: 765-345-5101
Fax: 765-345-5103

Anticipated Completion Date: July 1, 2018

FINDING 2016-004

Contact Person Responsible for Corrective Action: Jody McMahel
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: The school corporation will establish effective internal controls by adding an additional layer of oversight to ensure the completion and retention of documentation required for Paid Lunch Equity reporting compliance.

Anticipated Completion Date: July 1, 2018

FINDING 2016-005

Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation had anticipated, due to the significant changes in dietary guidelines, a significant increase in expenditures. Also, over the majority of the time frame in the previous audit period, school closures were contemplated. These discussions resulted in the Board action which closed two elementary schools. Spending funds on updating kitchens in any of our schools prior to having reached a final decision on closures would have been financially irresponsible. The school corporation used these excess funds to purchase new kitchen equipment in January, February and March of 2016.

Completion Date: March 30, 2016

FINDING 2016-006

Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation implemented new internal controls following the Department of Education's School Nutrition audit, in which guidance was given to follow protocol of the provided Free and Reduced application that contains one signature line and to spot check a variable number of applications to ensure

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compliance. Having received additional guidance from State Board of Accounts, the corporation will now make all efforts to review and initial every Free and Reduced application.

Anticipated Completion Date: July 1, 2018

FINDING 2016-007

Contact Person Responsible for Corrective Action: Jediah Behny

Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: As a member of the NCASS, the Superintendent of Charles A Beard Memorial School Corporation serves on the board of directors for the cooperative. The Superintendent has taken all necessary steps to ensure that proper internal controls are in place, to the best of his ability. Actions have been taken to ensure internal controls have been put in place by the NCASS board as a whole.

Completion Date: May 24, 2016

FINDING 2016-008

Contact Person Responsible for Corrective Action: Jediah Behny

Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: As a member of the NCASS, the Superintendent of Charles A Beard Memorial School Corporation serves on the board of directors for the cooperative. The Superintendent has taken all necessary steps to ensure that proper internal controls are in place, to the best of his ability. Actions have been taken to ensure internal controls have been put in place by the NCASS board as a whole.

Completion Date: May 24, 2016

FINDING 2016-009

Contact Person Responsible for Corrective Action: Stephanie Madison

Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

AN EQUAL OPPORTUNITY EMPLOYER

Charles A. Beard Memorial School Corporation

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Jediah Behny
Superintendent

Voice: 765-345-5101
Fax: 765-345-5103

Description of Corrective Action Plan: Fund 8400, Prepaid Food, was created on June 3, 2016.

Completion Date: June 3, 2016

FINDING 2016-010

Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation will establish effective internal controls by adding an additional layer of oversight to ensure the completion and retention of documentation required for the procurement process, as well as ensuring vendors have not been suspended or debarred.

Anticipated Completion Date: July 1, 2018

Stephanie L. Madic
(Signature)

Business Manager
(Title)

July 30, 2018
(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/>.