

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTH DEARBORN COMMUNITY
SCHOOL CORPORATION
DEARBORN COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
10/17/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|------------------|----------------------|
| Treasurer | Shawn Spindler | 07-01-14 to 06-30-19 |
| Superintendent of Schools | Dr. John Mehrle | 07-01-14 to 06-30-18 |
| | Eric Lows | 07-01-18 to 06-30-19 |
| President of the School Board | Gene Ferguson | 07-01-14 to 12-31-14 |
| | Bill Lane | 01-01-15 to 12-31-15 |
| | David Lusby | 01-01-16 to 12-31-17 |
| | Scott Willoughby | 01-01-18 to 12-31-18 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTH DEARBORN COMMUNITY
SCHOOL CORPORATION, DEARBORN COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

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


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 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

September 13, 2018



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

TO: THE OFFICIALS OF THE SOUTH DEARBORN COMMUNITY
SCHOOL CORPORATION, DEARBORN 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 South Dearborn Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated September 13, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002 to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002.

South Dearborn Community School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

September 13, 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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SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2015 and 2016

| Fund | Cash and Investments | | | Other Financing Sources (Uses) | Cash and Investments | | | Other Financing Sources (Uses) | Cash and Investments | |
|--|----------------------|----------------------|----------------------|--------------------------------|----------------------|----------------------|----------------------|--------------------------------|----------------------|--|
| | 07-01-14 | Receipts | Disbursements | | 06-30-15 | Receipts | Disbursements | | 06-30-16 | |
| General | \$ 2,234,510 | \$ 17,163,129 | \$ 15,859,512 | \$ (149,667) | \$ 3,388,460 | \$ 19,468,368 | \$ 19,649,678 | \$ (280,000) | \$ 2,927,150 | |
| Debt Service | 2,105,132 | 4,023,870 | 3,709,462 | - | 2,419,540 | 3,869,775 | 3,796,384 | - | 2,492,931 | |
| Retirement/Severance Bond Debt Service | 34,053 | 274,832 | 218,766 | - | 90,119 | 266,948 | 220,272 | - | 136,795 | |
| Capital Projects | 447,486 | 1,444,718 | 1,814,460 | - | 77,744 | 1,457,905 | 1,531,678 | - | 3,971 | |
| School Transportation | 468,951 | 1,632,325 | 1,772,971 | (48,500) | 279,805 | 1,673,275 | 1,789,320 | - | 163,760 | |
| School Bus Replacement | 43,301 | - | - | - | 43,301 | - | - | - | 43,301 | |
| Rainy Day | 316,146 | 55,108 | 212,710 | 199,667 | 358,211 | 205,684 | 53,575 | 280,000 | 790,320 | |
| Construction | - | - | - | - | - | 5,853 | 2,488,148 | 2,731,750 | 249,455 | |
| School Lunch | 410,917 | 1,209,616 | 1,363,773 | - | 256,760 | 1,304,284 | 1,335,947 | - | 225,097 | |
| Textbook Rental | 324,220 | 446,818 | 400,751 | 999 | 371,286 | 541,989 | 673,566 | 16,373 | 256,082 | |
| Self-Insurance | 126,850 | 27,349 | 3,403 | - | 150,796 | 3,912 | - | - | 154,708 | |
| Levy Excess | - | 537 | - | - | 537 | - | - | - | 537 | |
| Alternative Education | - | 2,010 | - | - | 2,010 | 3,985 | - | - | 5,995 | |
| Rising Sun Regional Foundation Grant | 95,582 | - | 54,836 | - | 40,746 | 17,000 | 6,968 | - | 50,778 | |
| City of Lawrenceburg Grant | 507,350 | 314,372 | 535,553 | - | 286,169 | 240,562 | 285,782 | - | 240,949 | |
| Miscellaneous Grants | - | 31,470 | 4,302 | - | 27,168 | 45,969 | 33,383 | - | 39,754 | |
| DCF Grant - Baseball | - | 91,900 | 31,435 | - | 60,465 | - | 60,465 | - | - | |
| ECO 15 | 1,935 | - | - | - | 1,935 | - | - | - | 1,935 | |
| Scholarships and Awards | 273,944 | 3,621 | 1,151 | - | 276,414 | 1,238 | 2,229 | - | 275,423 | |
| Miscellaneous Programs | 3,029 | - | - | - | 3,029 | 117 | - | - | 3,146 | |
| K.E. Pitts Library Memorial | 1,902 | - | - | - | 1,902 | 8 | - | - | 1,910 | |
| Indiana Next Leadership Grant | 279 | - | - | - | 279 | - | - | - | 279 | |
| Safe School Grant | - | - | 58,973 | - | (58,973) | 98,000 | 39,027 | - | - | |
| State High Ability Grant | 1,828 | - | - | - | 1,828 | - | - | - | 1,828 | |
| Formative Assessment Grant | - | - | - | - | - | 29,521 | - | - | 29,521 | |
| High Ability Education Grant | 18,003 | 35,887 | 44,464 | - | 9,426 | 36,699 | 33,348 | - | 12,777 | |
| School Technology | 5,181 | 6,105 | 700 | - | 10,586 | 39,865 | 41,200 | - | 9,251 | |
| Miscellaneous Programs | - | - | - | - | - | 27,257 | 27,257 | - | - | |
| Title I | (27,710) | 431,891 | 422,327 | - | (18,146) | 687,016 | 706,155 | 699 | (36,586) | |
| Title I, 2012-2013 | 4,739 | - | - | - | 4,739 | - | - | (699) | 4,040 | |
| Medicaid Reimbursement - Federal | 59,246 | 12,855 | 38,015 | - | 34,086 | 18,419 | 42,888 | - | 9,617 | |
| Payroll | (874,140) | 14,032,213 | 15,697,214 | - | (2,539,141) | 14,302,136 | 11,757,659 | - | 5,336 | |
| Prepaid Food | 8,617 | 497,799 | 493,953 | - | 12,463 | 525,553 | 524,293 | - | 13,723 | |
| Improving Teacher Quality, No Child Left, Title II, Part A | (2,553) | 110,391 | 110,314 | - | (2,476) | 115,627 | 116,773 | - | (3,622) | |
| Totals | \$ 6,588,798 | \$ 41,848,816 | \$ 42,849,045 | \$ 2,499 | \$ 5,591,068 | \$ 44,986,965 | \$ 45,215,995 | \$ 2,748,123 | \$ 8,110,161 | |

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

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources. Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

Proceeds of long-term debt. Amounts received in relation to the issuance of bonds or other long-term debt issues.

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

SOUTH DEARBORN COMMUNITY 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.

SOUTH DEARBORN COMMUNITY 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.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains funds with a deficit cash balance. The deficit cash balances in grant funds are due to the funds being set up for reimbursable grants. The reimbursements for the expenditures from these funds were not received by June 30, 2015 or 2016.

The Payroll fund has a deficit cash balance because insurance premiums were paid from the fund to the School Corporation's insurance consortium with insufficient receipts posted to the fund to offset the expenditures.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporation*

The School Corporation has entered into a capital lease with Aurora School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the school years ended June 30, 2015 and 2016, totaled \$2,888,000 and \$2,997,900 respectively.

Note 9. *Combined Funds*

Funds related to Rising Sun Regional Foundation Grant and City of Lawrenceburg Grant were reported individually in the current financial statement, but were combined into one fund on the prior financial statement.

Note 10. *Subsequent Events*

On August 17, 2017, the Aurora School Building Corporation (the lessor) sold bonds in the amount of \$3,285,000 for the purpose of financing, improving, renovating, and equipping the school buildings within the School Corporation. The School Corporation will repay the debt with semiannual lease payments to the lessor.

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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.

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

| | General | Debt Service | Retirement/ Severance Bond Debt Service | Capital Projects | School Transportation | School Bus Replacement | Rainy Day | Construction | School Lunch |
|---|--------------|-----------------|---|---------------------|--------------------------|------------------------------|--------------|--------------|-----------------|
| Cash and investments - beginning | \$ 2,234,510 | \$ 2,105,132 | \$ 34,053 | \$ 447,486 | \$ 468,951 | \$ 43,301 | \$ 316,146 | \$ - | \$ 410,917 |
| Receipts: | | | | | | | | | |
| Local sources | 1,429,155 | 4,023,870 | 274,832 | 1,444,718 | 1,632,325 | - | 55,108 | - | 518,095 |
| Intermediate sources | 27,975 | - | - | - | - | - | - | - | - |
| State sources | 15,705,999 | - | - | - | - | - | - | - | 11,975 |
| Federal sources | - | - | - | - | - | - | - | - | 679,546 |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 17,163,129 | 4,023,870 | 274,832 | 1,444,718 | 1,632,325 | - | 55,108 | - | 1,209,616 |
| Disbursements: | | | | | | | | | |
| Instruction | 11,702,786 | - | - | - | 2,602 | - | 81,513 | - | - |
| Support services | 3,867,793 | - | - | 1,368,930 | 1,770,369 | - | 131,197 | - | 77,290 |
| Noninstructional services | 288,933 | - | - | - | - | - | - | - | 1,286,483 |
| Facilities acquisition and construction | - | - | - | 445,530 | - | - | - | - | - |
| Debt service | - | 3,709,462 | 218,766 | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 15,859,512 | 3,709,462 | 218,766 | 1,814,460 | 1,772,971 | - | 212,710 | - | 1,363,773 |
| Excess (deficiency) of receipts over disbursements | 1,303,617 | 314,408 | 56,066 | (369,742) | (140,646) | - | (157,602) | - | (154,157) |
| Other financing sources (uses): | | | | | | | | | |
| Proceeds of long-term debt | - | - | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | 1,500 | - | - | - | - |
| Transfers in | 333 | - | - | - | - | - | 200,000 | - | - |
| Transfers out | (150,000) | - | - | - | (50,000) | - | (333) | - | - |
| Total other financing sources (uses) | (149,667) | - | - | - | (48,500) | - | 199,667 | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 1,153,950 | 314,408 | 56,066 | (369,742) | (189,146) | - | 42,065 | - | (154,157) |
| Cash and investments - ending | \$ 3,388,460 | \$ 2,419,540 | \$ 90,119 | \$ 77,744 | \$ 279,805 | \$ 43,301 | \$ 358,211 | \$ - | \$ 256,760 |

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

| | Textbook Rental | Self- Insurance | Levy Excess | Alternative Education | Rising Sun Regional Foundation Grant | City of Lawrenceburg Grant | Miscellaneous Grants | DCF Grant - Baseball | ECO 15 |
|---|--------------------|--------------------|----------------|--------------------------|---|----------------------------------|-------------------------|-------------------------|-----------|
| Cash and investments - beginning | \$ 324,220 | \$ 126,850 | \$ - | \$ - | \$ 95,582 | \$ 507,350 | \$ - | \$ - | \$ 1,935 |
| Receipts: | | | | | | | | | |
| Local sources | 254,764 | 27,349 | 537 | - | - | 314,372 | 31,470 | 91,900 | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | 192,054 | - | - | 2,010 | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 446,818 | 27,349 | 537 | 2,010 | - | 314,372 | 31,470 | 91,900 | - |
| Disbursements: | | | | | | | | | |
| Instruction | - | 3,403 | - | - | 54,836 | 374,701 | 4,302 | - | - |
| Support services | 400,751 | - | - | - | - | 160,852 | - | 31,435 | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 400,751 | 3,403 | - | - | 54,836 | 535,553 | 4,302 | 31,435 | - |
| Excess (deficiency) of receipts over disbursements | 46,067 | 23,946 | 537 | 2,010 | (54,836) | (221,181) | 27,168 | 60,465 | - |
| Other financing sources (uses): | | | | | | | | | |
| Proceeds of long-term debt | - | - | - | - | - | - | - | - | - |
| Sale of capital assets | 999 | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 999 | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 47,066 | 23,946 | 537 | 2,010 | (54,836) | (221,181) | 27,168 | 60,465 | - |
| Cash and investments - ending | \$ 371,286 | \$ 150,796 | \$ 537 | \$ 2,010 | \$ 40,746 | \$ 286,169 | \$ 27,168 | \$ 60,465 | \$ 1,935 |

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

| | Scholarships and Awards | Miscellaneous Programs | K.E. Pitts Library Memorial | Indiana Next Leadership Grant | Safe School Grant | State High Ability Grant | Formative Assessment Grant | High Ability Education Grant | School Technology |
|---|-------------------------------|---------------------------|-----------------------------------|--|-------------------------|-----------------------------------|----------------------------------|---------------------------------------|----------------------|
| Cash and investments - beginning | \$ 273,944 | \$ 3,029 | \$ 1,902 | \$ 279 | \$ - | \$ 1,828 | \$ - | \$ 18,003 | \$ 5,181 |
| Receipts: | | | | | | | | | |
| Local sources | 3,621 | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | 35,887 | 6,105 |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 3,621 | - | - | - | - | - | - | 35,887 | 6,105 |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | - | 29,000 | - | - | 44,464 | 700 |
| Support services | - | - | - | - | 29,973 | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | 1,151 | - | - | - | - | - | - | - | - |
| Total disbursements | 1,151 | - | - | - | 58,973 | - | - | 44,464 | 700 |
| Excess (deficiency) of receipts over disbursements | 2,470 | - | - | - | (58,973) | - | - | (8,577) | 5,405 |
| Other financing sources (uses): | | | | | | | | | |
| Proceeds of long-term debt | - | - | - | - | - | - | - | - | - |
| 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 | 2,470 | - | - | - | (58,973) | - | - | (8,577) | 5,405 |
| Cash and investments - ending | \$ 276,414 | \$ 3,029 | \$ 1,902 | \$ 279 | \$ (58,973) | \$ 1,828 | \$ - | \$ 9,426 | \$ 10,586 |

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

| | Miscellaneous Programs | Title I | Title I, 2012-2013 | Medicaid Reimbursement - Federal | Payroll | Prepaid Food | Improving Teacher Quality, No Child Left, Title II, Part A | Totals |
|---|---------------------------|-------------|-----------------------|--|----------------|--------------|---|--------------|
| Cash and investments - beginning | \$ - | \$ (27,710) | \$ 4,739 | \$ 59,246 | \$ (874,140) | \$ 8,617 | \$ (2,553) | \$ 6,588,798 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | 10,102,116 |
| Intermediate sources | - | - | - | - | - | - | - | 27,975 |
| State sources | - | - | - | - | - | - | - | 15,954,030 |
| Federal sources | - | 431,891 | - | 12,855 | - | - | 110,391 | 1,234,683 |
| Other receipts | - | - | - | - | 14,032,213 | 497,799 | - | 14,530,012 |
| Total receipts | - | 431,891 | - | 12,855 | 14,032,213 | 497,799 | 110,391 | 41,848,816 |
| Disbursements: | | | | | | | | |
| Instruction | - | 369,921 | - | 1,598 | - | - | 74,314 | 12,744,140 |
| Support services | - | 52,069 | - | 36,417 | - | - | 36,000 | 7,963,076 |
| Noninstructional services | - | 337 | - | - | - | - | - | 1,575,753 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | 445,530 |
| Debt service | - | - | - | - | - | - | - | 3,928,228 |
| Nonprogrammed charges | - | - | - | - | 15,697,214 | 493,953 | - | 16,192,318 |
| Total disbursements | - | 422,327 | - | 38,015 | 15,697,214 | 493,953 | 110,314 | 42,849,045 |
| Excess (deficiency) of receipts over disbursements | - | 9,564 | - | (25,160) | (1,665,001) | 3,846 | 77 | (1,000,229) |
| Other financing sources (uses): | | | | | | | | |
| Proceeds of long-term debt | - | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | 2,499 |
| Transfers in | - | - | - | - | - | - | - | 200,333 |
| Transfers out | - | - | - | - | - | - | - | (200,333) |
| Total other financing sources (uses) | - | - | - | - | - | - | - | 2,499 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | 9,564 | - | (25,160) | (1,665,001) | 3,846 | 77 | (997,730) |
| Cash and investments - ending | \$ - | \$ (18,146) | \$ 4,739 | \$ 34,086 | \$ (2,539,141) | \$ 12,463 | \$ (2,476) | \$ 5,591,068 |

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

| | General | Debt Service | Retirement/ Severance Bond Debt Service | Capital Projects | School Transportation | School Bus Replacement | Rainy Day | Construction | School Lunch |
|---|--------------|--------------|---|---------------------|--------------------------|------------------------------|--------------|--------------|-----------------|
| Cash and investments - beginning | \$ 3,388,460 | \$ 2,419,540 | \$ 90,119 | \$ 77,744 | \$ 279,805 | \$ 43,301 | \$ 358,211 | \$ - | \$ 256,760 |
| Receipts: | | | | | | | | | |
| Local sources | 1,434,960 | 3,869,775 | 266,948 | 1,457,905 | 1,673,275 | - | 205,684 | 5,853 | 599,180 |
| Intermediate sources | 27,494 | - | - | - | - | - | - | - | - |
| State sources | 18,005,914 | - | - | - | - | - | - | - | 11,669 |
| Federal sources | - | - | - | - | - | - | - | - | 693,435 |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 19,468,368 | 3,869,775 | 266,948 | 1,457,905 | 1,673,275 | - | 205,684 | 5,853 | 1,304,284 |
| Disbursements: | | | | | | | | | |
| Instruction | 14,242,937 | - | - | 12,803 | 3,011 | - | 44,898 | - | - |
| Support services | 5,073,330 | - | - | 1,263,391 | 1,786,309 | - | 5,086 | - | 55,423 |
| Noninstructional services | 333,411 | - | - | - | - | - | 3,591 | - | 1,280,524 |
| Facilities acquisition and construction | - | - | - | 255,484 | - | - | - | 2,488,148 | - |
| Debt service | - | 3,796,384 | 220,272 | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 19,649,678 | 3,796,384 | 220,272 | 1,531,678 | 1,789,320 | - | 53,575 | 2,488,148 | 1,335,947 |
| Excess (deficiency) of receipts over disbursements | (181,310) | 73,391 | 46,676 | (73,773) | (116,045) | - | 152,109 | (2,482,295) | (31,663) |
| Other financing sources (uses): | | | | | | | | | |
| Proceeds of long-term debt | - | - | - | - | - | - | - | 2,731,750 | - |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | 280,000 | - | - |
| Transfers out | (280,000) | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | (280,000) | - | - | - | - | - | 280,000 | 2,731,750 | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (461,310) | 73,391 | 46,676 | (73,773) | (116,045) | - | 432,109 | 249,455 | (31,663) |
| Cash and investments - ending | \$ 2,927,150 | \$ 2,492,931 | \$ 136,795 | \$ 3,971 | \$ 163,760 | \$ 43,301 | \$ 790,320 | \$ 249,455 | \$ 225,097 |

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

| | Textbook Rental | Self- Insurance | Levy Excess | Alternative Education | Rising Sun Regional Foundation Grant | City of Lawrenceburg Grant | Miscellaneous Grants | DCF Grant - Baseball | ECO 15 |
|---|--------------------|--------------------|----------------|--------------------------|---|----------------------------------|-------------------------|-------------------------|-----------|
| Cash and investments - beginning | \$ 371,286 | \$ 150,796 | \$ 537 | \$ 2,010 | \$ 40,746 | \$ 286,169 | \$ 27,168 | \$ 60,465 | \$ 1,935 |
| Receipts: | | | | | | | | | |
| Local sources | 356,926 | 3,912 | - | - | 17,000 | 240,562 | 45,969 | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | 185,063 | - | - | 3,985 | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 541,989 | 3,912 | - | 3,985 | 17,000 | 240,562 | 45,969 | - | - |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | - | 6,968 | 134,009 | 32,468 | - | - |
| Support services | 673,566 | - | - | - | - | 151,773 | 915 | 60,465 | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 673,566 | - | - | - | 6,968 | 285,782 | 33,383 | 60,465 | - |
| Excess (deficiency) of receipts over disbursements | (131,577) | 3,912 | - | 3,985 | 10,032 | (45,220) | 12,586 | (60,465) | - |
| Other financing sources (uses): | | | | | | | | | |
| Proceeds of long-term debt | - | - | - | - | - | - | - | - | - |
| Sale of capital assets | 16,373 | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 16,373 | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (115,204) | 3,912 | - | 3,985 | 10,032 | (45,220) | 12,586 | (60,465) | - |
| Cash and investments - ending | \$ 256,082 | \$ 154,708 | \$ 537 | \$ 5,995 | \$ 50,778 | \$ 240,949 | \$ 39,754 | \$ - | \$ 1,935 |

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

| | Scholarships and Awards | Miscellaneous Programs | K.E. Pitts Library Memorial | Indiana Next Leadership Grant | Safe School Grant | State High Ability Grant | Formative Assessment Grant | High Ability Education Grant | School Technology |
|---|-------------------------------|---------------------------|-----------------------------------|--|-------------------------|-----------------------------------|----------------------------------|---------------------------------------|----------------------|
| Cash and investments - beginning | \$ 276,414 | \$ 3,029 | \$ 1,902 | \$ 279 | \$ (58,973) | \$ 1,828 | \$ - | \$ 9,426 | \$ 10,586 |
| Receipts: | | | | | | | | | |
| Local sources | 1,238 | 117 | 8 | - | - | - | - | - | 33,301 |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | 98,000 | - | 29,521 | 36,699 | 6,564 |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 1,238 | 117 | 8 | - | 98,000 | - | 29,521 | 36,699 | 39,865 |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | 33,348 | - |
| Support services | - | - | - | - | 39,027 | - | - | - | 41,200 |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | 2,229 | - | - | - | - | - | - | - | - |
| Total disbursements | 2,229 | - | - | - | 39,027 | - | - | 33,348 | 41,200 |
| Excess (deficiency) of receipts over disbursements | (991) | 117 | 8 | - | 58,973 | - | 29,521 | 3,351 | (1,335) |
| Other financing sources (uses): | | | | | | | | | |
| Proceeds of long-term debt | - | - | - | - | - | - | - | - | - |
| 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 | (991) | 117 | 8 | - | 58,973 | - | 29,521 | 3,351 | (1,335) |
| Cash and investments - ending | \$ 275,423 | \$ 3,146 | \$ 1,910 | \$ 279 | \$ - | \$ 1,828 | \$ 29,521 | \$ 12,777 | \$ 9,251 |

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

| | Miscellaneous Programs | Title I | Title I, 2012-2013 | Medicaid Reimbursement - Federal | Payroll | Prepaid Food | Improving Teacher Quality, No Child Left, Title II, Part A | Totals |
|---|---------------------------|-------------|-----------------------|--|----------------|--------------|---|--------------|
| Cash and investments - beginning | \$ - | \$ (18,146) | \$ 4,739 | \$ 34,086 | \$ (2,539,141) | \$ 12,463 | \$ (2,476) | \$ 5,591,068 |
| Receipts: | | | | | | | | |
| Local sources | 27,257 | - | - | - | - | - | - | 10,239,870 |
| Intermediate sources | - | - | - | - | - | - | - | 27,494 |
| State sources | - | - | - | - | - | - | - | 18,377,415 |
| Federal sources | - | 687,016 | - | 18,419 | - | - | 115,627 | 1,514,497 |
| Other receipts | - | - | - | - | 14,302,136.0 | 525,553 | - | 14,827,689 |
| Total receipts | 27,257 | 687,016 | - | 18,419 | 14,302,136 | 525,553 | 115,627 | 44,986,965 |
| Disbursements: | | | | | | | | |
| Instruction | - | 632,362 | - | 1,956 | - | - | 77,055 | 15,221,815 |
| Support services | - | 66,023 | - | 40,932 | - | - | 39,718 | 9,297,158 |
| Noninstructional services | 27,257 | 7,770 | - | - | - | - | - | 1,652,553 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | 2,743,632 |
| Debt service | - | - | - | - | - | - | - | 4,016,656 |
| Nonprogrammed charges | - | - | - | - | 11,757,659 | 524,293 | - | 12,284,181 |
| Total disbursements | 27,257 | 706,155 | - | 42,888 | 11,757,659 | 524,293 | 116,773 | 45,215,995 |
| Excess (deficiency) of receipts over disbursements | - | (19,139) | - | (24,469) | 2,544,477 | 1,260 | (1,146) | (229,030) |
| Other financing sources (uses): | | | | | | | | |
| Proceeds of long-term debt | - | - | - | - | - | - | - | 2,731,750 |
| Sale of capital assets | - | - | - | - | - | - | - | 16,373 |
| Transfers in | - | 699 | - | - | - | - | - | 280,699 |
| Transfers out | - | - | (699) | - | - | - | - | (280,699) |
| Total other financing sources (uses) | - | 699 | (699) | - | - | - | - | 2,748,123 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (18,440) | (699) | (24,469) | 2,544,477 | 1,260 | (1,146) | 2,519,093 |
| Cash and investments - ending | \$ - | \$ (36,586) | \$ 4,040 | \$ 9,617 | \$ 5,336 | \$ 13,723 | \$ (3,622) | \$ 8,110,161 |

SOUTH DEARBORN COMMUNITY 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>\$ 774,860</u> | <u>\$ 123,068</u> |

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2016

| Lessor | Purpose | Annual Lease Payment | Lease Beginning Date | Lease Ending Date |
|------------------------------------|-----------------------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities: | | | | |
| Aurora School Building Corporation | First Mortgage Bonds, Series 2013 | \$ 3,374,000 | 7/15/2005 | 1/15/2025 |
| Aurora School Building Corporation | First Mortgage Bonds, Series 2015 | <u>181,400</u> | 7/15/2015 | 1/15/2027 |
| Total governmental activities | | <u>3,555,400</u> | | |
| Total | | <u>\$ 3,555,400</u> | | |

| Type | Description of Debt Purpose | Ending Principal Balance | Principal and Interest Due Within One Year |
|-------------------------------|--------------------------------|--------------------------------|---|
| Governmental activities: | | | |
| Revenue bonds | School Severance Funding | \$ 785,000 | \$ 215,982 |
| Notes and loans payable | Common School Fund Loan | <u>5,138,543</u> | <u>775,507</u> |
| Total governmental activities | | <u>5,923,543</u> | <u>991,489</u> |
| Totals | | <u>\$ 5,923,543</u> | <u>\$ 991,489</u> |

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2016

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

| | <u>Ending Balance</u> |
|------------------------------------|---------------------------|
| Governmental activities: | |
| Land | \$ 700,000 |
| Buildings | 133,639,498 |
| Improvements other than buildings | 4,377,075 |
| Machinery, equipment, and vehicles | <u>561,550</u> |
| Total governmental activities | <u>139,278,123</u> |
| Total capital assets | <u>\$ 139,278,123</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 SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION, DEARBORN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2016-003 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 - Verification of Free and Reduced Price Applications (NSLP). Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

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

Qualified Opinion on 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 the Child Nutrition Cluster regarding Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the period of July 1, 2014 to June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2014 to June 30, 2016.

Other Matters

The 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 2016-004, 2016-005, 2016-007, 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.


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

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

reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, and 2016-010 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

September 13, 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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SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2015 and 2016

| Federal Grantor Agency Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Passed Through to Subrecipient 06-30-15 | Total Federal Awards Expended 06-30-15 | Passed Through to Subrecipient 06-30-16 | Total Federal Awards Expended 06-30-16 |
|---|-------------------------------------|---------------------------|--|---|---|---|---|
| Department of Agriculture | | | | | | | |
| Child Nutrition Cluster | | | | | | | |
| School Breakfast Program | Indiana Department of Education | 10.553 | | | | | |
| School Breakfast FY 15 | | | FY 15 | \$ - | \$ 129,497 | \$ - | \$ - |
| School Breakfast FY 16 | | | FY 16 | - | - | - | 134,572 |
| Total - School Breakfast Program | | | | - | 129,497 | - | 134,572 |
| National School Lunch Program | | | | | | | |
| Commodities | Indiana Department of Education | 10.555 | | - | 85,104 | - | 80,176 |
| Snack | | | FY 16 | - | - | - | 3,062 |
| School Lunch FY 15 | | | FY 15 | - | 550,049 | - | - |
| School Lunch FY 16 | | | FY 16 | - | - | - | 555,801 |
| Total - National School Lunch Program | | | | - | 635,153 | - | 639,039 |
| Total - Child Nutrition Cluster | | | | - | 764,650 | - | 773,611 |
| Total - Department of Agriculture | | | | - | 764,650 | - | 773,611 |
| Department of Education | | | | | | | |
| Special Education Cluster (IDEA) | | | | | | | |
| Special Education_Grants to States | Indiana Department of Education | 84.027 | | | | | |
| Special Education | | | 14213-052-PN01 | - | 142 | - | - |
| Special Education | | | 14214-052-PN01 | - | 218,303 | - | 949 |
| Special Education | | | 14215-052-PN01 | - | 207,280 | - | 204,729 |
| Special Education | | | 14216-050-PN01 | - | - | - | 227,636 |
| Technical Assistance | | | 99914-052-TA01 | - | 9,238 | - | 4,596 |
| Total - Special Education_Grants to States | | | | - | 434,963 | - | 437,910 |
| Special Education_Preschool Grants | Indiana Department of Education | 84.173 | | | | | |
| Special Education PreSchool | | | 45714-052-PN01 | - | 4,609 | - | 645 |
| Special Education PreSchool | | | 45715-052-PN01 | - | - | - | 13,199 |
| Special Education PreSchool | | | 45716-050-PN01 | - | - | - | 501 |
| Total - Special Education_Preschool Grants | | | | - | 4,609 | - | 14,345 |
| Total - Special Education Cluster (IDEA) | | | | - | 439,572 | - | 452,255 |
| Title I Grants to Local Educational Agencies | Indiana Department of Education | 84.010 | | | | | |
| Title I FY 14 | | | FY 14 | - | 199,006 | - | - |
| Title I FY 15 | | | FY 15 | - | 232,887 | - | 285,679 |
| Title I FY 16 | | | FY 16 | - | - | - | 401,337 |
| Total - Title I Grants to Local Educational Agencies | | | | - | 431,893 | - | 687,016 |
| Improving Teacher Quality State Grants | Indiana Department of Education | 84.367 | | | | | |
| Title II Part A | | | FY 12 | - | 46,940 | - | - |
| Title II Part A | | | FY 13 | - | 63,451 | - | 32,847 |
| Title II Part A | | | FY 14 | - | - | - | 82,780 |
| Total - Improving Teacher Quality State Grants | | | | - | 110,391 | - | 115,627 |
| Total - Department of Education | | | | - | 981,856 | - | 1,254,898 |
| Total federal awards expended | | | | \$ - | \$ 1,746,506 | \$ - | \$ 2,028,509 |

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

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Programs:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|---|
| 84.010 | Child Nutrition Cluster Title I Grants to Local Educational Agencies 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: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of finding 2014-001 from the immediately prior audit report.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

There were the following deficiencies in the internal control system of the School Corporation related to financial transactions and reporting:

Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to cash and investments and receipts. One employee received money, issued official receipts, prepared bank deposits, took deposits to the bank, posted receipts, approved adjustments, and was responsible for preparing bank reconciliations, without evidence of an oversight, review, or approval process.

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 over financial transactions and reporting.

Effect

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

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, to ensure that financial transactions and balances are properly reported.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2016-002

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

Repeat Finding

This is a repeat of finding 2014-002 from the immediately prior audit report.

Condition

The School Corporation had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Schedule of Expenditures of Federal Awards (SEFA). One employee prepared the SEFA without evidence of a review or approval process, or other compensating control.

Context

The lack of internal controls was a systemic issue throughout the audit period. The SEFA contained the following errors:

1. The Title I Grants to Local Educational Agencies program was understated by \$106,990.
2. The Improving Teacher Quality State Grants program was understated by \$46,940.
3. The Special Education Cluster (IDEA) was understated by \$23,051.
4. The Child Nutrition Cluster was understated by \$3,062.

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. . . ."

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (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 to ensure 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 a system of internal controls related to preparation of the SEFA.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-003

Subject: Child Nutrition Cluster - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY15, FY16

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement. The Food Service Director performed the verification of free and reduced price applications. There was no documentation of a control in place, such as an oversight, review, or approval process. During the 2014-2015 and 2015-2016 school years, the School Corporation was required to verify 14 and 16 applications, respectively. Only 12 of the 30 applications verified were presented for audit, so it could not be determined if the verification was properly performed.

Context

The lack of controls was a systemic problem throughout the audit period. Records were not available to determine compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) requirements for both of the years under audit.

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

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 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

The School Corporation had not developed a system of internal controls to ensure that documentation related to the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement was maintained and made available for audit.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Special Tests and Provisions - Verification of Free and Reduced Applications compliance requirement is maintained and made available for audit.

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: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The School Corporation did not have controls in place to ensure that employees who worked solely on the child nutrition programs completed the required Semi-Annual Certifications.

Context

The lack of controls was a systemic problem throughout the audit period. Semi-Annual Certifications were not completed by any food service employee during 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. . . ."

OMB Circular A-87 Attachment B, section 8h(3) states:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the Allowable Costs/Cost Principles requirements identified above.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2016-005

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): FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation utilized a purchasing cooperative to obtain bids on their behalf for select items. There was no control in place, such as an oversight, review, or approval process, to ensure compliance with procurement requirements for items bid by the purchasing cooperative.

The School Corporation did not have a control system in place to ensure compliance with small purchase procedures. The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods from two vendors that exceeded \$3,000.

Suspension and Debarment

The School Corporation did not have a control system in place to verify that a vendor was not suspended or debarred before entering into a covered transaction. During the 2014-2015 school year, the School Corporation made food service purchases exceeding \$25,000 from one vendor. The School Corporation failed to provide evidence that a search of the Excluded Party List System was conducted, that certification from the entity was collected, or that a clause or condition was added to the contract.

Context

The lack of internal controls was a systemic problem throughout the audit period. Noncompliance with small purchase procedures was a systemic problem in the 2015-2016 school year. Noncompliance with suspension and debarment requirements was a systemic problem in 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. . . ."

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.320(b) states:

"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."

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

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2016-006

Subject: Child Nutrition Cluster - Cash Management, Eligibility, 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): FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Eligibility, Reporting
Audit Finding: Material Weakness

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, and Reporting.

Cash Management

The Treasurer monitored the balance in the School Lunch fund; however, this review was not documented. There was no control in place, such as an oversight, review, or approval process, to ensure net cash resources did not exceed three months average expenditures.

Eligibility

One individual was responsible for inputting all free and reduced price applications into the computer software system, which determined eligibility. There was no control in place, such as an oversight, review, or approval process, to ensure the eligibility determination was correct.

Reporting

The Food Service Director prepared the Annual Financial Report, Reimbursement Requests, and the Verification Summary Report. There was no documentation of a control in place, such as an oversight, review, or approval process, to ensure reports were accurate.

Context

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

Criteria

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

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

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-007

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): FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Findings: Material Weakness, Other Matters

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement. The School Corporation did not complete Paid Lunch Equity calculations for the 2014-2015 school year.

Context

The lack of controls was a systemic issue throughout the audit period. Paid Lunch Equity calculations were not completed for the first year 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. . . ."

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 210.14(e) states in part:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and ensure compliance related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity 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: Title I Grants to Local Educational Agencies - Internal Controls

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): FY14, FY15, FY16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management,
Period of Performance, Reporting, Special Tests and
Provisions - Comparability, Special Tests and
Provisions - Annual Report Card,
High School Graduation Rate

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report related to Cash Management, Reporting, Special Tests and Provisions - Comparability, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate. The prior audit finding number was 2014-003.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Allowable Costs/Cost Principles, Cash Management, Period of Performance, Reporting, Special Tests and Provisions - Comparability, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate.

Allowable Costs/Cost Principles

The Assistant Superintendent of Schools was responsible for maintaining time and effort documentation for employees paid from program funds. There was no control in place, such as an oversight, review, or approval process.

Cash Management

The Treasurer prepared reimbursement requests. Until July 2016, there was no control in place, such as an oversight, review, or approval process, to ensure expenses were paid prior to requesting reimbursement.

Period of Performance

The Treasurer prepared reimbursement requests. Until July 2016, there was no control in place, such as an oversight, review, or approval process, to ensure that expenses requested for reimbursement met period of performance requirements.

Reporting

Reimbursement requests and Final Expenditure Reports were completed; however, there was no control in place, such as an oversight, review, or approval process, to ensure the reports were accurate prior to submission.

Special Tests and Provisions - Comparability

Comparability reports were completed by the Title I Director. There was no control in place, such as an oversight, review, or approval process.

Special Tests and Provisions - Annual Report Card, High School Graduation Rate

One individual was responsible for removing students from the cohort. There was no control in place to ensure that documentation was on file for all students removed from the cohort.

Context

The lack of internal controls was a systemic problem which occurred throughout the audit period.

Criteria

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

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

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-009

Subject: Title I Grants to Local Educational Agencies - Eligibility
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): FY14, FY15, FY16
Pass Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Other Matters

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement. The Eligible School Summary portion of the Title I grant application reported the public enrollment, public poverty, non-public enrollment, and non-public poverty data. The records provided by the School Corporation did not agree with the Eligible School Summary Report for the 2016 program year for public data. No records were provided to support the non-public data.

Context

The records for public school enrollment did not agree with the Eligible School Summary by 6 students. The public school poverty data did not agree to the Eligible School Summary by 56 students. The records to support the 37 students reported for non-public enrollment were not presented for audit.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report. . . ."

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. . . ."

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 76.700 states:

"A State and a subgrantee shall comply with the State plan and applicable statutes, regulations, and approved applications, and shall use Federal funds in accordance with those statutes, regulations, plan, and applications."

34 CFR 200.78(a)(1) states:

"An LEA must allocate funds under subpart A of this part to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of children from low-income families in each area or school."

Cause

The School Corporation had not developed a system of internal controls over the documentation of eligibility.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the School Corporation's management establish controls related to 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.

FINDING 2016-010

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-052-PN01, 14214-052-PN01,
14215-052-PN01, 14216-050-PN01,
99914-052-TA01, 45714-052-PN01,
45715-052-PN01, 45716-050-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. Child Count reports were prepared and submitted without a control in place to ensure the reports were accurate.

Context

The lack of controls over the Child Count reports was a systemic problem throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Contact Person Responsible for Corrective Action: Shawn Spindler, Treasurer
Contact Phone Number: 812.926.2090

Description of Corrective Action Plan:

1. The School Corporation has hired an assistant since the audit period to help with the lack of segregation of duties. This person issues all receipts, issues all checks, and will be trained on reconciling the funds ledger. The Treasurer reviews all receipts and claims prior to issuing checks. The Superintendent and Assistant Superintendent also review the claims prior to issuing checks.
2. The School Corporation has implemented several controls to ensure all payroll disbursements are approved by the School Board. This includes review by the Treasurer and Assistant Superintendent, and verification that the ledger matches with the payroll reports.

Anticipated Completion Date: January 26, 2016

Status: This corrective action is in place.

FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Shawn Spindler, Treasurer
Contact Phone Number: 812.926.2090

Description of Corrective Action Plan: After completion of the SEFA, it will be reviewed and approved by both the Superintendent and Assistant Superintendent.

Anticipated Completion Date: July 1, 2016

Status: This corrective action is in place.

FINDING 2014-003 - CASH MANAGEMENT, ELIGIBILITY, REPORTING, AND SPECIAL TESTS AND PROVISIONS

Contact Person Responsible for Corrective Action: Shawn Spindler, Treasurer
Eric Lows, Assistant Superintendent/Title I Director
Contact Phone Number: 812.926.2090

Description of Corrective Action Plan: The School Corporation has implemented additional control over the cash management and reporting of the Title I program. Prior to submission of reimbursement requests, the Treasurer reviews the request with the Assistant Superintendent/Title I Director who then signs off on it. When determining eligibility for Title I, we will begin to have each principal sign off on the assessment reports showing they have reviewed for accuracy. Prior to submission to the state for the Real Time Reports, we will also have the principal's sign off on them after reviewing. For the comparability reports, the Assistant Superintendent will complete the

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reports and then review with the Treasurer and Superintendent who will approve. Moving forward, the Withdrawal forms will be reviewed and signed by the building principal as they have control of the building.

Anticipated Completion Date: July 1, 2016

Status: For the real time reports, the principals will begin signing off after review. This will begin with the 18/19 school year. The control over cash management is in place as is the process of having the building principal sign off on withdrawal forms. Assessment reports are reviewed by the principals who then send them to the Assistant Superintendent/Title I Director. The comparability reports are reviewed by the Treasurer.

FINDING 2014-004 - ALLOWABLE COSTS/ COST PRINCIPLES

Contact Person Responsible for Corrective Action: Eric Lows, Assistant Superintendent/Title I Director
Contact Phone Number: 812.926.2090

Description of Corrective Action Plan: The Assistant Superintendent/Title I Director will ensure that all semi-annual certification activity reports will be completed twice per year.

Anticipated Completion Date: January 26, 2016

Status: This corrective action is in place.

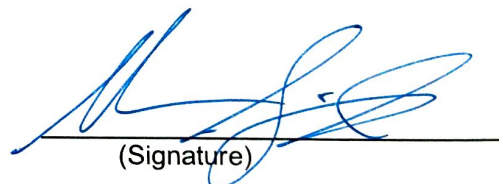
FINDING 2014-005 - CASH MANAGEMENT AND REPORTING

Contact Person Responsible for Corrective Action: Shawn Spindler, Treasurer
Contact Phone Number: 812.926.2090

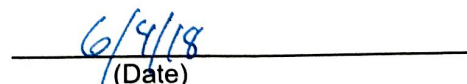
Description of Corrective Action Plan: The ROD co-op has implemented a control regarding cash management for the reimbursement requests. The Treasurer will prepare the requests and the Director will approve and sign off on them. A control will be implemented for the reporting to where the requests will be presented to the Board, which consists of school Superintendents, and have them approve and sign off on them.

Anticipated Completion Date: July 1, 2016

Status: This corrective action is in place at ROD.


(Signature)


(Title)


(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Shawn Spindler, Business Manager/Treasurer
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. The School Corporation has hired an assistant since the audit period to help with the lack of segregation of duties. This person issues all receipts, issues all checks, and will be trained on reconciling the funds ledger. The Business Manager/Treasurer reviews all receipts and claims prior to issuing checks. The Superintendent also reviews the claims prior to issuing checks.
2. The School Corporation has implemented several controls to ensure all payroll disbursements are approved by the School Board. This includes review by the Business Manager/Treasurer and Assistant Superintendent/Superintendent, and verification that the ledger matches with the payroll reports.

Anticipated Completion Date: This plan is already in place and took effect July 2016.



(Signature)

Business Manager

(Title)

8/31/18

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Shawn Spindler, Business Manager/Treasurer
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

After completion of the SEFA, it will be reviewed and approved by the Superintendent/Assistant Superintendent.

Anticipated Completion Date: 8/1/18



(Signature)

Business Manager

(Title)

8/31/18

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Mary Sturgeon, Food Service Director
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Food Service Director will perform the verification of free and reduced price applications with review by the District Payroll and Treasurer Assistant. The Food Service Director will also maintain and file free and reduced price applications according to the state compliance guidelines.

Anticipated Completion Date: This plan is already in place and took effect October 2017.

Mary Sturgeon
(Signature)

Food Service Director
(Title)

9-4-2018
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Mary Sturgeon, Food Service Director
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Food Service Director will complete the Semi-Annual Certification form for the school nutrition program in December and May of each school year. This will then be reviewed by the Business Manager.

Anticipated Completion Date: December 2018

Mary Sturgeon
(Signature)

Food Service Director
(Title)

9-4-2018
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Mary Sturgeon, Food Service Director
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Procurement

When utilizing a purchasing cooperative to obtain bids on our behalf, the Food Service Director will review all bid and bid tally documents to ensure compliance with Procurement requirements.

The Food Service Director will follow small purchase procedures and obtain price or rate quotes from three vendors for purchases that exceed \$3,000.

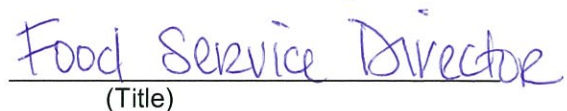
Suspension and Debarment

The food service department will ensure that all vendors that we purchase from have not been suspended or debarred from participation in federal programs by either looking them up on the federal website or by including language in our contracts that has the vendor attest that they are not suspended or debarred.

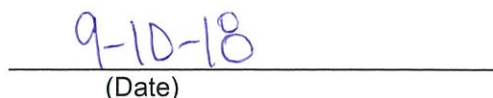
Anticipated Completion Date: October 2018



(Signature)



(Title)



(Date)

Success Driven. Grow. Excel. Achieve.
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CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Mary Sturgeon, Food Service Director
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

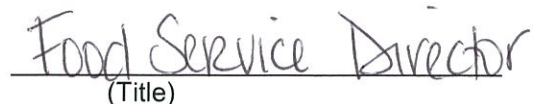
Child Nutrition Cluster-Cash Management – The Food Service Director will monitor the School Lunch fund monthly cash balances for accuracy and to ensure net cash resources do not exceed three months average expenditures. The Food Service Director will then send to the Business Manager for review.

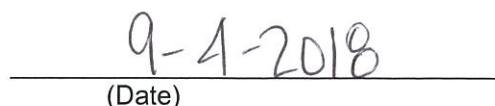
Child Nutrition Cluster-Eligibility – The school Treasurer/Secretary will enter all free and reduced price applications into the computer software system, which determines eligibility. The eligibility determinations will then be reviewed by the Food Service Director with proper documentation.

Child Nutrition Cluster-Reporting – The Food Service Director will prepare the Annual Financial Report and Verification Summary Report. These reports will then be reviewed by the Business Manager. The Business Manager will prepare the Reimbursement Requests. These requests will then be reviewed by the Food Service Director.

Anticipated Completion Date: September 2018


(Signature)


(Title)


(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-007

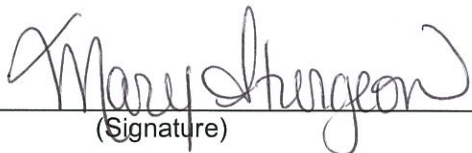
Contact Person Responsible for Corrective Action: Mary Sturgeon, Food Service Director
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

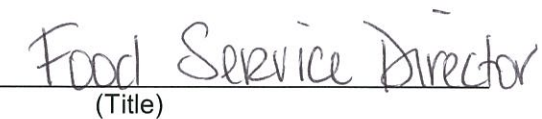
Description of Corrective Action Plan:

The Food Service Director will complete the Paid Lunch Equity calculations. These calculations will then be reviewed by the Business Manager.

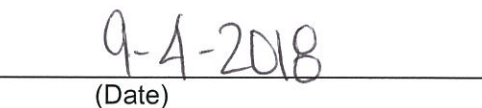
Anticipated Completion Date: This plan is already in place and took effect July 2018.



(Signature)



(Title)



(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-008

Contact Person Responsible for Corrective Action: Shawn Spindler, Business Manager/Treasurer
Chris Tanner, Assistant Superintendent

Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation has implemented additional control over the cash management and reporting of the Title I program. Prior to submission of reimbursement requests, the Business Manager/Treasurer reviews the request and final reports with the Assistant Superintendent/Title I Director who then signs off on it. For the comparability reports, the Assistant Superintendent will complete the reports and then review with the Business Manager/Treasurer and/or the Superintendent who will approve. Moving forward, the Withdrawal forms will be reviewed and signed by the building principal as they have control of the building.

Anticipated Completion Date: This plan is already in place and took effect July 2016.



(Signature)

Business Manager

(Title)

8/31/18

(Date)



(Signature)

ASSISTANT SUPERINTENDENT

(Title)

09/04/2018

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-009

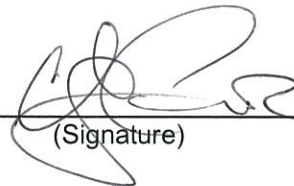
Contact Person Responsible for Corrective Action: Christopher Tanner, Assistant Superintendent
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Regarding the Eligible School Summary Report, we will begin printing this and verifying the enrollment with our Real-Time reports. As for the non-public enrollment, we will begin documenting our conversations with the parochial schools enrollment.

Anticipated Completion Date: September 2018



(Signature)

ASSISTANT SUPERINTENDENT

(Title)

09/04/2018

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-010

Contact Person Responsible for Corrective Action: Veda Vertz, Data Coordinator

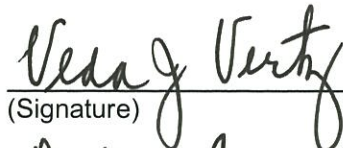
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation has implemented additional control over the Special Education child count reports. The Data Coordinator submits the original count and continues to review for any errors until the count is finalized by IDOE. Once the count is final, the Business Manager/Treasurer and Superintendent sign off on the Special Education Report that is uploaded to the state.

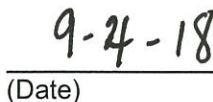
Anticipated Completion Date: This plan is already in place and took effect July 2017.



(Signature)



(Title)



(Date)

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OTHER REPORTS

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