

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NORTH PUTNAM COMMUNITY
SCHOOL CORPORATION
PUTNAM COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
12/21/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tanya J. Pearson	07-01-15 to 12-31-18
Superintendent of Schools	Daniel A. Noel Dr. Nicole L. Singer	07-01-15 to 06-30-18 07-01-18 to 06-30-19
President of the School Board	John Hays Amber Greene Ron Spencer	07-01-15 to 12-31-16 01-01-16 to 13-31-17 01-01-17 to 12-31-18



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NORTH PUTNAM COMMUNITY
SCHOOL CORPORATION, PUTNAM COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the North Putnam Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, 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, 2015 to June 30, 2017.

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, 2015 to June 30, 2017, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 November 8, 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

November 8, 2018



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

TO: THE OFFICIALS OF THE NORTH PUTNAM COMMUNITY
SCHOOL CORPORATION, PUTNAM 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 North Putnam Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated November 8, 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.

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 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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a material weakness.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Putnam 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

November 8, 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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NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2016 and 2017

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
General	\$ 2,278,237	\$ 9,646,294	\$ 9,927,088	\$ -	\$ 1,997,443	\$ 9,759,230	\$ 9,069,450	\$ -	\$ 2,687,223
Debt Service	694,725	1,382,161	1,411,571	-	665,315	1,271,728	1,352,498	-	584,545
Retirement/Severance Bond Debt Service	147,823	229,634	231,125	-	146,332	226,403	231,743	-	140,992
Capital Projects	506,288	1,800,154	1,088,133	-	1,218,309	1,684,733	1,465,327	-	1,437,715
School Transportation	686,434	1,092,287	820,603	(200,000)	758,118	1,129,072	801,590	-	1,085,600
School Bus Replacement	382,261	252,701	218,846	-	416,116	192,354	399,828	-	208,642
Rainy Day	565,357	33,257	-	200,000	798,614	-	-	-	798,614
Retirement/Severance Bond	456,141	48	162,793	-	293,396	-	55,684	-	237,712
School Lunch	54,757	814,765	872,960	-	(3,438)	722,941	737,977	-	(18,474)
Textbook Rental	61,776	138,199	93,055	-	106,920	136,734	129,539	-	114,115
2011/12 ONT Local	3,920	-	-	-	3,920	-	-	-	3,920
Educational License Plates	-	33	-	-	33	94	-	-	127
Alternative Education	-	2,418	2,418	-	-	1,995	-	-	1,995
Early Intervention Grant	-	-	-	-	-	6,401	5,014	-	1,387
Lilly Endowment	-	-	-	-	-	30,000	17,991	-	12,009
Putnam Co. Foundation Grant	2,036	804	817	-	2,023	15,149	1,564	-	15,608
Duke Energy Grant & Rise	5,100	90,000	90,227	-	4,873	-	2,702	-	2,171
Walmart Grant/RD	562	-	-	-	562	825	-	-	1,387
Walmart Grant - BB	3,100	-	-	-	3,100	-	899	-	2,201
Living to Serve (FFA)	-	5,000	4,104	-	896	-	-	-	896
Walmart Grant/ Baker MS	178	-	-	-	178	-	-	-	178
Gen Youth Foundation/SCTLD	1,763	4,400	549	-	5,614	-	-	-	5,614
Formative Assessment	-	18,100	-	-	18,100	17,281	35,381	-	-
High Ability 2014/15	9,890	-	9,890	-	-	-	-	-	-
High Ability 2015/16	-	31,483	26,321	-	5,162	-	5,162	-	-
High Ability 2016/17	-	-	-	-	-	30,943	17,786	-	13,157
Drug Free Communities	2,558	-	1,006	-	1,552	-	-	-	1,552
Medicaid Reimbursement	56,214	42,276	43,438	-	55,052	38,022	12,686	-	80,388
Energy Challenge Award	8,250	-	677	-	7,573	-	1,752	-	5,821
Non-English Speaking Programs	41	-	-	-	41	-	-	-	41
Career and Technical Performance Grant	-	-	-	-	-	15,686	15,309	-	377
TDS Grant	79,903	27,194	17,370	-	89,727	19,450	65,613	-	43,564
Elearning Grant	(8,484)	18,648	12,016	-	(1,852)	-	(1,852)	-	-
Title I 2014/15	(11,834)	54,080	42,246	-	-	-	-	-	-
Title I 2015/16	-	199,627	208,058	-	(8,431)	55,938	47,507	-	-
Title I 2016/17	-	-	-	-	-	164,620	180,421	-	(15,801)
Nutritional Grant - State	-	20,000	20,000	-	-	-	-	-	-
School Technology	507	2,058	2,091	-	474	-	-	-	474
Improving Teacher Quality, No Child Left, Title II, Part A	(4,150)	19,924	15,774	-	-	40,410	40,410	-	-
Clearing	169,061	2,506,057	2,529,287	-	145,831	2,444,214	2,422,104	-	167,941
Totals	\$ 6,152,414	\$ 18,431,602	\$ 17,852,463	\$ -	\$ 6,731,553	\$ 18,004,223	\$ 17,114,085	\$ -	\$ 7,621,691

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

NORTH PUTNAM 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.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

Transfers in. Amounts received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

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

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

NORTH PUTNAM 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. Negative Receipts and Disbursements

The financial statement contains some receipts and/or disbursements which appear as negative entries. This is a result of vendor credits reducing the expenditure amount.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of reimbursable grants and a vendor credit owed to the School Corporation. Reimbursements for expenditures made by the School Corporation were not received by the end of the fiscal period. A vendor credit owed to the School Corporation was not received by the end of the fiscal period.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. *Holding Corporation*

The School Corporation has entered into capital leases with the North Putnam Middle School Building Corp (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the 2015-2016 and 2016-2017 school years totaled \$1,195,500 and \$915,000, respectively.

Note 10. *Other Postemployment Benefit*

The School Corporation provides to eligible retirees and their spouses the following benefit: partial payment of premiums for the School Corporation's healthcare plan. The benefit poses a liability to the School Corporation for this year and in future years. Information regarding the benefit can be obtained by contacting the School Corporation.

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OTHER INFORMATION - UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

NORTH PUTNAM 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	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 2,278,237	\$ 694,725	\$ 147,823	\$ 506,288	\$ 686,434	\$ 382,261	\$ 565,357	\$ 456,141	\$ 54,757
Receipts:									
Local sources	43,138	1,382,161	229,634	1,800,154	1,092,287	252,701	33,257	48	396,137
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	9,603,156	-	-	-	-	-	-	-	8,366
Federal sources	-	-	-	-	-	-	-	-	410,262
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	9,646,294	1,382,161	229,634	1,800,154	1,092,287	252,701	33,257	48	814,765
Disbursements:									
Instruction	6,619,156	-	-	-	-	-	-	162,793	-
Support services	3,175,277	-	-	370,312	820,603	218,846	-	-	-
Noninstructional services	132,655	-	-	-	-	-	-	-	848,116
Facilities acquisition and construction	-	4,108	-	717,821	-	-	-	-	-
Debt service	-	1,407,463	231,125	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	24,844
Total disbursements	9,927,088	1,411,571	231,125	1,088,133	820,603	218,846	-	162,793	872,960
Excess (deficiency) of receipts over disbursements	(280,794)	(29,410)	(1,491)	712,021	271,684	33,855	33,257	(162,745)	(58,195)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	200,000	-	-
Transfers out	-	-	-	-	(200,000)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(200,000)	-	200,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(280,794)	(29,410)	(1,491)	712,021	71,684	33,855	233,257	(162,745)	(58,195)
Cash and investments - ending	\$ 1,997,443	\$ 665,315	\$ 146,332	\$ 1,218,309	\$ 758,118	\$ 416,116	\$ 798,614	\$ 293,396	\$ (3,438)

NORTH PUTNAM 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	2011/12 ONT Local	Educational License Plates	Alternative Education	Early Intervention Grant	Lilly Endowment	Putnam Co. Foundation Grant	Duke Energy Grant & Rise
Cash and investments - beginning	\$ 61,776	\$ 3,920	\$ -	\$ -	\$ -	\$ -	\$ 2,036	\$ 5,100
Receipts:								
Local sources	89,423	-	-	-	-	-	804	90,000
Intermediate sources	-	-	33	-	-	-	-	-
State sources	48,776	-	-	2,418	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	138,199	-	33	2,418	-	-	804	90,000
Disbursements:								
Instruction	-	-	-	2,418	-	-	-	227
Support services	93,055	-	-	-	-	-	817	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	90,000
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	93,055	-	-	2,418	-	-	817	90,227
Excess (deficiency) of receipts over disbursements	45,144	-	33	-	-	-	(13)	(227)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	45,144	-	33	-	-	-	(13)	(227)
Cash and investments - ending	\$ 106,920	\$ 3,920	\$ 33	\$ -	\$ -	\$ -	\$ 2,023	\$ 4,873

NORTH PUTNAM 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

	Walmart Grant/RD	Walmart Grant - BB	Living to Serve (FFA)	Walmart Grant/ Baker MS	Gen Youth Foundation/ SCTLD	Formative Assessment	High Ability 2014/15	High Ability 2015/16
Cash and investments - beginning	\$ 562	\$ 3,100	\$ -	\$ 178	\$ 1,763	\$ -	\$ 9,890	\$ -
Receipts:								
Local sources	-	-	5,000	-	4,400	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	18,100	-	31,483
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	5,000	-	4,400	18,100	-	31,483
Disbursements:								
Instruction	-	-	4,104	-	549	-	9,771	24,302
Support services	-	-	-	-	-	-	119	2,019
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	4,104	-	549	-	9,890	26,321
Excess (deficiency) of receipts over disbursements	-	-	896	-	3,851	18,100	(9,890)	5,162
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	896	-	3,851	18,100	(9,890)	5,162
Cash and investments - ending	\$ 562	\$ 3,100	\$ 896	\$ 178	\$ 5,614	\$ 18,100	\$ -	\$ 5,162

NORTH PUTNAM 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

	High Ability 2016/17	Drug Free Communities	Medicaid Reimbursement	Energy Challenge Award	Non-English Speaking Programs	Career and Technical Performance Grant	TDS Grant	Elearning Grant
Cash and investments - beginning	\$ -	\$ 2,558	\$ 56,214	\$ 8,250	\$ 41	\$ -	\$ 79,903	\$ (8,484)
Receipts:								
Local sources	-	-	42	-	-	-	27,194	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	42,234	-	-	-	-	18,648
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	42,276	-	-	-	27,194	18,648
Disbursements:								
Instruction	-	-	-	677	-	-	-	-
Support services	-	-	43,438	-	-	-	17,370	10,164
Noninstructional services	-	1,006	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	1,852
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	1,006	43,438	677	-	-	17,370	12,016
Excess (deficiency) of receipts over disbursements	-	(1,006)	(1,162)	(677)	-	-	9,824	6,632
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,006)	(1,162)	(677)	-	-	9,824	6,632
Cash and investments - ending	\$ -	\$ 1,552	\$ 55,052	\$ 7,573	\$ 41	\$ -	\$ 89,727	\$ (1,852)

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

	Title I 2014/15	Title I 2015/16	Title I 2016/17	Nutritional Grant - State	School Technology	Improving Teacher Quality, No Child Left, Title II, Part A	Clearing	Totals
Cash and investments - beginning	\$ (11,834)	\$ -	\$ -	\$ -	\$ 507	\$ (4,150)	\$ 169,061	\$ 6,152,414
Receipts:								
Local sources	-	-	-	-	-	-	-	5,446,380
Intermediate sources	-	-	-	-	-	-	-	33
State sources	-	-	-	-	-	-	-	9,773,181
Federal sources	54,080	199,627	-	20,000	2,058	19,924	-	705,951
Other receipts	-	-	-	-	-	-	2,506,057	2,506,057
Total receipts	54,080	199,627	-	20,000	2,058	19,924	2,506,057	18,431,602
Disbursements:								
Instruction	37,246	181,204	-	-	-	-	-	7,042,447
Support services	5,000	26,854	-	-	-	15,774	-	4,799,648
Noninstructional services	-	-	-	20,000	-	-	-	1,001,777
Facilities acquisition and construction	-	-	-	-	2,091	-	-	815,872
Debt service	-	-	-	-	-	-	-	1,638,588
Nonprogrammed charges	-	-	-	-	-	-	2,529,287	2,554,131
Total disbursements	42,246	208,058	-	20,000	2,091	15,774	2,529,287	17,852,463
Excess (deficiency) of receipts over disbursements	11,834	(8,431)	-	-	(33)	4,150	(23,230)	579,139
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	200,000
Transfers out	-	-	-	-	-	-	-	(200,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,834	(8,431)	-	-	(33)	4,150	(23,230)	579,139
Cash and investments - ending	\$ -	\$ (8,431)	\$ -	\$ -	\$ 474	\$ -	\$ 145,831	\$ 6,731,553

NORTH PUTNAM 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, 2017

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 1,997,443	\$ 665,315	\$ 146,332	\$ 1,218,309	\$ 758,118	\$ 416,116	\$ 798,614	\$ 293,396	\$ (3,438)
Receipts:									
Local sources	59,281	1,271,728	226,403	1,684,733	1,129,072	192,354	-	-	300,892
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	9,699,949	-	-	-	-	-	-	-	8,112
Federal sources	-	-	-	-	-	-	-	-	413,937
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	9,759,230	1,271,728	226,403	1,684,733	1,129,072	192,354	-	-	722,941
Disbursements:									
Instruction	6,113,364	-	-	-	-	-	-	55,684	-
Support services	2,819,316	-	-	565,483	801,590	399,828	-	-	-
Noninstructional services	136,770	-	-	-	-	-	-	-	737,977
Facilities acquisition and construction	-	-	-	899,844	-	-	-	-	-
Debt services	-	1,352,498	231,743	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	9,069,450	1,352,498	231,743	1,465,327	801,590	399,828	-	55,684	737,977
Excess (deficiency) of receipts over disbursements	689,780	(80,770)	(5,340)	219,406	327,482	(207,474)	-	(55,684)	(15,036)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	689,780	(80,770)	(5,340)	219,406	327,482	(207,474)	-	(55,684)	(15,036)
Cash and investments - ending	\$ 2,687,223	\$ 584,545	\$ 140,992	\$ 1,437,715	\$ 1,085,600	\$ 208,642	\$ 798,614	\$ 237,712	\$ (18,474)

NORTH PUTNAM 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, 2017

	Textbook Rental	2011/12 ONT Local	Educational License Plates	Alternative Education	Early Intervention Grant	Lilly Endowment	Putnam Co. Foundation Grant	Duke Energy Grant & Rise
Cash and investments - beginning	\$ 106,920	\$ 3,920	\$ 33	\$ -	\$ -	\$ -	\$ 2,023	\$ 4,873
Receipts:								
Local sources	87,435	-	-	-	-	30,000	15,149	-
Intermediate sources	-	-	94	-	-	-	-	-
State sources	49,299	-	-	1,995	6,401	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	136,734	-	94	1,995	6,401	30,000	15,149	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	2,702
Support services	129,539	-	-	-	5,014	17,991	1,564	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	129,539	-	-	-	5,014	17,991	1,564	2,702
Excess (deficiency) of receipts over disbursements	7,195	-	94	1,995	1,387	12,009	13,585	(2,702)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,195	-	94	1,995	1,387	12,009	13,585	(2,702)
Cash and investments - ending	\$ 114,115	\$ 3,920	\$ 127	\$ 1,995	\$ 1,387	\$ 12,009	\$ 15,608	\$ 2,171

NORTH PUTNAM 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, 2017

	Walmart Grant/RD	Walmart Grant - BB	Living to Serve (FFA)	Walmart Grant/ Baker MS	Gen Youth Foundation/ SCTLD	Formative Assessment	High Ability 2014/15	High Ability 2015/16
Cash and investments - beginning	\$ 562	\$ 3,100	\$ 896	\$ 178	\$ 5,614	\$ 18,100	\$ -	\$ 5,162
Receipts:								
Local sources	825	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	17,281	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	825	-	-	-	-	17,281	-	-
Disbursements:								
Instruction	-	899	-	-	-	35,381	-	5,162
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	899	-	-	-	35,381	-	5,162
Excess (deficiency) of receipts over disbursements	825	(899)	-	-	-	(18,100)	-	(5,162)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	825	(899)	-	-	-	(18,100)	-	(5,162)
Cash and investments - ending	\$ 1,387	\$ 2,201	\$ 896	\$ 178	\$ 5,614	\$ -	\$ -	\$ -

NORTH PUTNAM 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, 2017

	High Ability 2016/17	Drug Free Communities	Medicaid Reimbursement	Energy Challenge Award	Non-English Speaking Programs	Career and Technical Performance Grant	TDS Grant	Elearning Grant
Cash and investments - beginning	\$ -	\$ 1,552	\$ 55,052	\$ 7,573	\$ 41	\$ -	\$ 89,727	\$ (1,852)
Receipts:								
Local sources	-	-	12,313	-	-	-	19,450	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	30,943	-	25,709	-	-	15,686	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	30,943	-	38,022	-	-	15,686	19,450	-
Disbursements:								
Instruction	12,016	-	-	1,752	-	15,309	-	-
Support services	5,770	-	12,686	-	-	-	17,370	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	48,243	(1,852)
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	17,786	-	12,686	1,752	-	15,309	65,613	(1,852)
Excess (deficiency) of receipts over disbursements	13,157	-	25,336	(1,752)	-	377	(46,163)	1,852
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,157	-	25,336	(1,752)	-	377	(46,163)	1,852
Cash and investments - ending	\$ 13,157	\$ 1,552	\$ 80,388	\$ 5,821	\$ 41	\$ 377	\$ 43,564	\$ -

NORTH PUTNAM 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, 2017

	Title I 2014/15	Title I 2015/16	Title I 2016/17	Nutritional Grant - State	School Technology	Improving Teacher Quality, No Child Left, Title II, Part A	Clearing	Totals
Cash and investments - beginning	\$ -	\$ (8,431)	\$ -	\$ -	\$ 474	\$ -	\$ 145,831	\$ 6,731,553
Receipts:								
Local sources	-	-	-	-	-	-	-	5,029,635
Intermediate sources	-	-	-	-	-	-	-	94
State sources	-	-	-	-	-	-	-	9,855,375
Federal sources	-	55,938	164,620	-	-	40,410	-	674,905
Other receipts	-	-	-	-	-	-	2,444,214	2,444,214
Total receipts	-	55,938	164,620	-	-	40,410	2,444,214	18,004,223
Disbursements:								
Instruction	-	46,325	180,421	-	-	-	-	6,469,015
Support services	-	1,182	-	-	-	40,410	-	4,817,743
Noninstructional services	-	-	-	-	-	-	-	874,747
Facilities acquisition and construction	-	-	-	-	-	-	-	946,235
Debt services	-	-	-	-	-	-	-	1,584,241
Nonprogrammed charges	-	-	-	-	-	-	2,422,104	2,422,104
Total disbursements	-	47,507	180,421	-	-	40,410	2,422,104	17,114,085
Excess (deficiency) of receipts over disbursements	-	8,431	(15,801)	-	-	-	22,110	890,138
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	8,431	(15,801)	-	-	-	22,110	890,138
Cash and investments - ending	\$ -	\$ -	\$ (15,801)	\$ -	\$ 474	\$ -	\$ 167,941	\$ 7,621,691

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NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 157,686</u>	<u>\$ 15,798</u>

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
North Putnam Middle School Building Corp	Renovations	\$ 92,546	07/15/2014	01/15/2029
North Putnam Middle School Building Corp	Renovations	63,226	06/30/2015	12/31/2028
North Putnam Middle School Building Corp	Renovations	167,350	06/30/2015	12/31/2028
North Putnam Middle School Building Corp	Renovations	68,000	12/31/2015	12/31/2034
North Putnam Middle School Building Corp	Qualified School Construction Bond	141,214	01/01/2012	01/30/2026
North Putnam Middle School Building Corp	Renovations	176,214	11/05/2015	12/31/2029
North Putnam Middle School Building Corp	Renovations	<u>283,000</u>	06/30/2012	06/30/2020
Total of annual lease payments		<u>\$ 991,550</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Pension Bond	\$ 645,000	\$ 231,640
General obligation bonds	Roachdale HVAC	1,775,000	273,208
General obligation bonds	Solar Farm	3,290,440	246,486
Notes and loans payable	Common School Loan / Technology	<u>73,113</u>	<u>29,903</u>
Totals		<u>\$ 5,783,553</u>	<u>\$ 781,237</u>

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2017

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	\$ 73,080
Infrastructure	107,856
Buildings	66,424,798
Improvements other than buildings	2,781,000
Machinery, equipment, and vehicles	4,906,416
Books and other	<u>134,400</u>
Total capital assets	<u>\$ 74,427,550</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE NORTH PUTNAM COMMUNITY
SCHOOL CORPORATION, PUTNAM COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the North Putnam Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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

Basis for Qualified Opinion on the Child Nutrition Cluster

As described in items 2017-003, 2017-004, and 2017-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment, Program Income, and Reporting that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Qualified Opinion on the Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2015 to June 30, 2017.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2015 to June 30, 2017.

Other 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 the Uniform Guidance, 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.


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002, 2017-003, 2017-004, and 2017-005, that we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 8, 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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NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2016 and 2017

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 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 15-16	\$ -	\$ 105,409	\$ -	\$ -
		10.553	FY 16-17	-	-	-	106,486
Total - School Breakfast Program				-	105,409	-	106,486
National School Lunch Program							
	Indiana Department of Education	10.555	FY 15-16	-	304,854	-	-
		10.555	FY 16-17	-	-	-	307,451
		10.555	Commodities	-	46,792	-	59,401
Total - National School Lunch Program				-	351,646	-	366,852
Summer Food Service Program for Children							
	Indiana Department of Education	10.559	FY 15-16	-	16,577	-	-
		10.559	FY 16-17	-	-	-	14,444
Total - Summer Food Service Program for Children				-	16,577	-	14,444
Total - Child Nutrition Cluster				-	473,632	-	487,782
Child Nutrition Discretionary Grants Limited Availability							
	Indiana Department of Education	10.579	FY 15-16	-	20,000	-	-
Total - Department of Agriculture				-	493,632	-	487,782
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States							
	Indiana Department of Education	84.027	14214-048-PN01	-	9,225	-	-
		84.027	14215-048-PN01	-	142,563	-	-
		84.027	14216-046-PN01	-	233,270	-	146,519
		84.027	14217-046-PN01	-	-	-	259,128
Total - Special Education_Grants to States				-	385,058	-	405,647
Special Education_Preschool Grants							
	Indiana Department of Education	84.173	45714-048-PN01	-	1,352	-	-
		84.173	45715-048-PN01	-	335	-	14,682
		84.173	45716-046-PN01	-	-	-	613
		84.173	45717-046-PN01	-	-	-	362
Total - Special Education_Preschool Grants				-	1,687	-	15,657
Total - Special Education Cluster (IDEA)				-	386,745	-	421,304
Title I Grants to Local Educational Agencies							
	Indiana Department of Education	84.010	15-6715	-	54,080	-	-
		84.010	16-6715	-	199,627	-	55,938
		84.010	17-6715	-	-	-	164,620
Total - Title I Grants to Local Educational Agencies				-	253,707	-	220,558
Supporting Effective Instruction State Grants							
	Indiana Department of Education	84.367	84.367A	-	19,924	-	40,410
Total - Department of Education				-	660,376	-	682,272
Total federal awards expended				\$ -	\$ 1,154,008	\$ -	\$ 1,170,054

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

NORTH PUTNAM 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, 2016 and 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of the Old National Trail Special Services Cooperative (Cooperative) which operates the Special Education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the Schedule of Expenditures of Federal Awards is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

NORTH PUTNAM 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?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified
Special Education Cluster (IDEA)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

Section II - Financial Statement Findings

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. There was a lack of adequate segregation of duties as the School Corporation had not separated incompatible activities related to receipts, disbursements, and financial reporting, including reporting of federal program expenditures.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Receipts

The School Corporation had not designed or implemented proper segregation of duties related to receipts. One employee issued and recorded receipts and deposited collections without evidence of segregation of duties. There were no controls in place to ensure the accuracy and classification of the receipts recorded to the proper fund and account.

Payroll Disbursements

One employee recorded payroll transactions. There was no evidence of oversight or review to ensure the accuracy of the payroll disbursements to the proper fund and account.

Financial Reporting - Financial Transactions

The School Form 9, which is the basis of the financial statement, was prepared and submitted to the Indiana Department of Education by one individual without evidence of oversight or review.

Financial Reporting - Federal Program Expenditures

The Schedule of Expenditures of Federal Awards was prepared and submitted to the Indiana Gateway for Government Units reporting system by one employee without evidence of oversight or review.

Context

The lack of adequate internal controls was a systemic issue 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. . . ."

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-002

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 15-16, FY 16-17

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility,
Special Tests and Provisions - School Food Accounts, Special Tests and
Provisions - Paid Lunch Equity, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

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 compliance requirements listed above.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

One employee recorded payroll transactions. There was no evidence of oversight or review to ensure that payroll disbursements were for allowable activities or to ensure the accuracy of the payroll disbursements recorded to the proper fund and account.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Eligibility

Eligibility determinations were performed by one individual. An oversight or review process, or other compensating control, had not been established to ensure that eligibility determinations were accurate.

Special Tests and Provisions - School Food Accounts

A school food account had been established for the School Corporation; however, an oversight or review process of the amounts recorded in the school food account had not been established.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The Food Service Director completed the paid lunch equity calculation without an oversight or review process to ensure that the calculations were performed or to ensure the accuracy of the calculation.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) (School Breakfast Program and National School Lunch Program)

The Food Service Director performed the verification of the free and reduced price applications without evidence of oversight or review.

Context

The lack of controls was a systemic issue 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). . . ."

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not have 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 2017-003

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 15-16, FY 16-17

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Condition

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

The School Corporation did not have effective internal controls in place to ensure that the purchasing methods used complied with 2 CFR 200.320.

The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.320 states in part:

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

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the procurement requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment 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 2017-004

Subject: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 15-16, FY 16-17

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Modified Opinion

Condition

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the food service program reports were reconciled to program income received in the School Lunch fund.

The School Corporation did not comply with program income requirements. All receipts from sales, including prepayments, were recorded directly into the School Lunch fund. The difference between the beginning balance in the prepaid account and the ending prepaid balance per the food service software were periodically transferred from the School Lunch fund to the Prepaid Lunch fund. The actual program income generated from the food service program was not transferred or recorded properly.

Context

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

Criteria

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

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

NORTH PUTNAM 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). . . ."

7 CFR 210.14(c) states:

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

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2017-005

Subject: Child Nutrition Cluster - Reporting
 Federal Agency: Department of Agriculture
 Federal Programs: School Breakfast Program, National School Lunch Program,
 Summer Food Service Program for Children
 CFDA Numbers: 10.553, 10.555, 10.559
 Federal Award Numbers and Years (or Other Identifying Numbers): FY 15-16, FY 16-17
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Reporting
 Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The Annual Financial Reports (AFR), Monthly Sponsor Claims for Reimbursement, and School Food Authority (SFA) the Verification Collection Reports were prepared and submitted by one individual, without a documented oversight, review, or approval process.

The AFRs submitted agreed with the School Corporation's underlying financial records in total, but did not agree in the individual categories. The AFRs did not agree with the sales reports generated by the food service point of sale system. The differences were as follows:

	AFR Compared to Sales Report					
	2015-2016			2016-2017		
	AFR	Sales Report	Difference	AFR	Sales Report	Difference
<u>Sales to Children</u>						
Lunch	\$ 220,460.26	\$ 226,238.20	\$ (5,777.94)	\$ 200,207.84	\$ 204,501.80	\$ (4,293.96)
Breakfast	21,841.24	28,770.40	(6,929.16)	29,906.10	29,906.10	-
Other	102,120.10	75,894.45	26,225.65	19,530.95	58,376.80	(38,845.85)
Subtotal	<u>344,421.60</u>	<u>330,903.05</u>	<u>13,518.55</u>	<u>249,644.89</u>	<u>292,784.70</u>	<u>(43,139.81)</u>
<u>Sales to Adults</u>						
Lunch	16,096.29	14,475.30	1,620.99	12,258.32	10,045.00	2,213.32
Breakfast	600.00	464.00	136.00	500.00	166.00	334.00
Other	-	990.55	(990.55)	-	10,045.00	(10,045.00)
Subtotal	<u>16,696.29</u>	<u>15,929.85</u>	<u>766.44</u>	<u>12,758.32</u>	<u>20,256.00</u>	<u>(7,497.68)</u>
Totals	<u>\$ 361,117.89</u>	<u>\$ 346,832.90</u>	<u>\$ 14,284.99</u>	<u>\$ 262,403.21</u>	<u>\$ 313,040.70</u>	<u>\$ (50,637.49)</u>

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

	AFR Compared to Financial Statement					
	2015-2016			2016-2017		
	AFR	Financial Statement	Difference	AFR	Financial Statement	Difference
<u>Sales to Children</u>						
Lunch	\$ 220,460.26	\$ 314,985.00	\$ (94,524.74)	\$ 200,207.84	\$ 249,191.00	\$ 48,983.16
Breakfast	21,841.24	3,443.00	18,398.24	29,906.10	4.00	(29,902.10)
Other	102,120.10	61,013.00	41,107.10	19,530.95	450.00	(19,080.95)
Subtotal	<u>344,421.60</u>	<u>379,441.00</u>	<u>(35,019.40)</u>	<u>249,644.89</u>	<u>249,645.00</u>	<u>0.11</u>
<u>Sales to Adults</u>						
Lunch	16,096.29	16,696.00	(599.71)	12,258.32	-	-
Breakfast	600.00	-	600.00	500.00	-	-
Subtotal	<u>16,696.29</u>	<u>16,696.00</u>	<u>0.29</u>	<u>12,758.32</u>	<u>12,758.00</u>	<u>0.32</u>
State Revenue Match	8,365.93	8,366.00	0.07	8,111.67	8,112.00	0.33
Federal Reimbursement	427,454.81	410,262.00	17,192.81	428,464.81	413,937.00	14,527.81
Other Income	15,212.45	-	15,212.45	23,960.25	38,489.00	(14,528.75)
Rebates	2,614.79	-	2,614.79	-	-	-
Income Totals	<u>\$ 814,765.87</u>	<u>\$ 814,765.00</u>	<u>\$ 1.01</u>	<u>\$ 722,939.94</u>	<u>\$ 722,941.00</u>	<u>\$ (0.18)</u>

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

2 CFR 200.302(b)(2) states in part: "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION
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P.O. BOX 169
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FAX: 765-522-3562

Nicole Singer
Superintendent
nsinger@nputnam.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-001

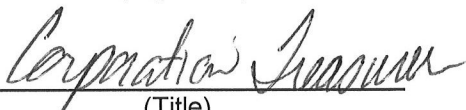
Fiscal year in which the finding initially occurred: FY2013, FY2014, FY2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Tanya Pearson
Contact Phone Number: 765-522-6218

Status of Audit Finding:

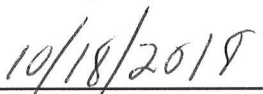
Since our last audit, we have improved the internal controls for inventorying equipment. All technology equipment is to be inventoried, asset tagged and list of who received what equipment. Teachers are instructed to return all technology equipment for summer storage. We stressed the important of equipment being returned to proper area when school is not in session. As to the 2013 Special Ed Apple I-pads, the IT Department tried to update them. Apple will no longer support I-pads due to their age. The I-pads are now considered outdated technology by Apple rendering them useless technology. The staff are not able to use them since we cannot update them. We replaced them with chrome books. The I-pads will be listing them on our Disposal of Equipment List at one of our school board monthly meetings in the near future.



(Signature)



(Title)



(Date)

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Nicole Singer
Superintendent
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-002

Fiscal year in which the finding initially occurred: FY2013, FY2014, FY2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Rodney Simpson
Contact Phone Number: 765-522-6233

Status of Audit Finding:
North Putnam Community Schools are in compliance with an effective internal control System. A meeting occurs between Title I staff, classroom teacher, and the principal that includes the date and sign in sheet for student Title I placement.

Rodney Simpson
(Signature)

Principal / Title I Coordinator
(Title)

10-5-18
(Date)

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Nicole Singer
Superintendent
nsinger@nputnam.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Nicole Singer, Superintendent, and Tanya Pearson, Treasurer

Contact Phone – 765-522-6218

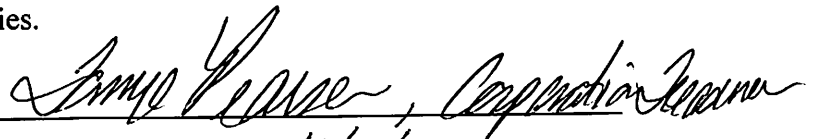
Views of Responsible Official: We agree with findings.

Description of Corrective Action Plan:

The Superintendent, treasurer or business office designee will sign off, initial, and/or review Form 9, SEFA, payroll trial register and receipts.

1. When receipts are issued, a business office designee will verify by initialing the treasurer's data for accuracy.
2. Each payroll will be reviewed for accuracy. The Superintendent or Treasurer will review and initial the payroll trial journal.
3. School Form 9 will be reviewed and initialed by the Superintendent for accuracy before uploading to the DOE website.
4. SEFA- will be reviewed by the Superintendent or business office designee to ensure the accuracy of the data before submitting to Gateway.

This process and procedure described above for this audit will be implemented as of November 8, 2018. The implementation of these procedures will ensure we have internal controls in place for segregation of duties.



11/8/18

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CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Nicole Singer, Superintendent; Tanya Pearson, Treasurer; Terry Tippin, Director of Operations; and Director of Child Nutrition, Aramark.

Contact Phone Number: 765-522-6218

Views of Responsible Official: We agree with the findings.

Description of Corrective Action Plan:

With the verification and recordkeeping requirements of the Child Nutrition Program, the Superintendent, or business office designee, will review and approve the monthly claim for reimbursement, the annual financial report, and the annual verification summary. These controls will establish compliance with grant agreement and the reporting requirement.

The Superintendent, or business office designee, will review and approve a sample of Free and Reduced applications upon initial review and approval from or Director of Child Nutrition. In addition, these officials will re-verify at least 3% (3 percent) of the approved applications. These controls will establish compliance with the grant agreement and the Special Test and Provision requirements.

The Director of Child Nutrition will input the Paid Lunch Equity calculations, screenshot, and send to Director of Operations for verification.

The Director of Operations will review and verify payroll transactions submitted by the Director of Child Nutrition each payroll period.

The Director of Operations will review and approve the monthly School Fund Account report submitted by the Director of Child Nutrition.

Anticipated Completion Date: November 13, 2018

(Signature)

Terry Tippin

(Title)

Director of Operations

(Date)

11-8-18

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CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: Nicole Singer, Superintendent; Tanya Pearson, Treasurer; Terry Tippin, Director of Operations; and Director of Child Nutrition, Aramark.

Contact Phone Number: 765-522-6218

Views of Responsible Official: We agree with the findings.

Description of Corrective Action Plan:

Small purchase procurement procedures will include securing quotes from 3 vendors. Quotes will be reviewed by Director of Operations and recommendation submitted to Superintendent for approval.

Anticipated Completion Date: November 13, 2018

(Signature)

Terry Tippin

(Title)

Dir of Operations

(Date)

11-8-18

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CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Nicole Singer, Superintendent; Tanya Pearson, Treasurer; Terry Tippin, Director of Operations; and Director of Child Nutrition, Aramark.

Contact Phone Number: 765-522-6218

Views of Responsible Official: We agree with the findings.

Description of Corrective Action Plan:

Director of Child Nutrition will prepare spreadsheet containing revenue from student and adult sales from supporting documents and given to Treasurer monthly.

Anticipated Completion Date: November 13, 2018

(Signature)

Terry Tippin

(Title)

Dir of Operation

(Date)

11-8-18

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CORRECTIVE ACTION PLAN

FINDING 2017-005

Contact Person Responsible for Corrective Action: Nicole Singer, Superintendent; Tanya Pearson, Treasurer; Terry Tippin, Director of Operations; and Director of Child Nutrition, Aramark.

Contact Phone Number: 765-522-6218

Views of Responsible Official: We agree with the findings.

Description of Corrective Action Plan:

The Superintendent, or business office designee, will review and approve the monthly claim for reimbursement, the annual financial report, and the annual verification summary.

Anticipated Completion Date: November 13, 2018

(Signature)

Terry Tippin

(Title)

Director of Operations

(Date)

11-8-18

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/>.