

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SOUTH PUTNAM COMMUNITY  
SCHOOL CORPORATION  
PUTNAM COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**  
01/04/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rebecca J. Samsel Hilarie Logan	07-01-15 to 06-30-18 07-01-18 to 06-30-19
Superintendent of Schools	Bruce D. Bernhardt	07-01-15 to 06-30-19
President of the School Board	Wesley Hacker	07-01-15 to 06-30-19



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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the South 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 15, 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 15, 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 SOUTH 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 South 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 15, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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*.

**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 15, 2018

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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SOUTH 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	\$ 585,191	\$ 7,571,266	\$ 7,778,913	\$ 37,453	\$ 414,997	\$ 7,710,016	\$ 7,761,430	\$ 37,553	\$ 401,136
Debt Service	1,566,642	2,455,609	2,740,000	-	1,282,251	2,020,653	1,756,000	-	1,546,904
Retirement/Severance Bond Debt Service	145,798	239,565	234,835	-	150,528	237,304	237,009	-	150,823
Capital Projects	530,165	1,028,325	1,000,188	-	558,302	1,057,880	1,103,355	-	512,827
School Transportation	911,998	958,033	766,950	(400,000)	703,081	940,360	625,608	(250,000)	767,833
School Bus Replacement	184,575	202,284	183,202	-	203,657	267,917	187,339	-	284,235
Rainy Day	1,582,385	36,723	615,346	400,000	1,403,762	-	158,402	250,000	1,495,360
Retirement/Severance Bond	786,126	-	106,277	-	679,849	-	92,742	-	587,107
Construction Fund - SPHS	58,365	-	-	-	58,365	-	-	-	58,365
School Lunch	229,347	510,380	505,837	-	233,890	519,252	546,693	-	206,449
Textbook Rental	165,571	132,263	82,780	-	215,054	134,046	81,213	-	267,887
Early Intervention Grant	-	-	-	-	-	5,238	3,000	-	2,238
Lilly Counseling Grant	-	-	-	-	-	29,942	28,102	-	1,840
Construction, Remodeling, and Equipping Buildings	-	-	-	-	-	25,000	-	-	25,000
Formative Assessment	-	12,103	-	-	12,103	12,042	40,812	-	(16,667)
Gifted/Talented	2,399	29,572	28,814	-	3,157	29,434	32,074	-	517
School Technology	-	-	-	-	-	23,236	-	-	23,236
Digital Learning Grant	-	-	-	-	-	71,300	71,300	-	-
Career and Technical Performance Grant	-	-	-	-	-	6,992	6,992	-	-
Senator David Ford Technology	(4,701)	4,701	-	-	-	-	-	-	-
Title I	(2,223)	84,193	103,654	-	(21,684)	128,834	129,081	-	(21,931)
Improving Teacher Quality, No Child Left, Title II, Part A	-	37,453	-	(37,453)	-	37,553	-	(37,553)	-
Prepaid Food	-	196,647	190,968	-	5,679	214,512	205,032	-	15,159
Payroll Fund	292,728	1,709,282	1,707,523	-	294,487	1,762,949	1,763,342	-	294,094
<b>Totals</b>	<b>\$ 7,034,366</b>	<b>\$ 15,208,399</b>	<b>\$ 16,045,287</b>	<b>\$ -</b>	<b>\$ 6,197,478</b>	<b>\$ 15,234,460</b>	<b>\$ 14,829,526</b>	<b>\$ -</b>	<b>\$ 6,602,412</b>

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

SOUTH 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.

SOUTH 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.

SOUTH 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.

SOUTH 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.

SOUTH 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. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation were not received by June 30, 2016 and 2017.

**Note 8. Holding Corporations**

The School Corporation has entered into capital leases with the South Putnam School Building Corporation and the South Putnam Grade School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related-parties of the School Corporation. Lease payments during the years ended June 30, 2016 and 2017, totaled \$2,423,000 and \$1,536,000, respectively.

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

**Note 9. Restatements**

For the year ended June 30, 2016, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of June 30, 2015	Prior Period Adjustment	Balance as of July 1, 2015
Textbook Rental	\$ 168,439	\$ (2,868)	\$ 165,571

**Note 10. Subsequent Event**

The South Putnam High School Building Corporation issued first mortgage bonds in the amount of \$1,935,000, in November 2017, for numerous upgrades to the middle school, high school, and Fillmore Elementary school.

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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.

SOUTH 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	Construction Fund - SPHS
Cash and investments - beginning	\$ 585,191	\$ 1,566,642	\$ 145,798	\$ 530,165	\$ 911,998	\$ 184,575	\$ 1,582,385	\$ 786,126	\$ 58,365
Receipts:									
Local sources	91,945	2,455,609	239,565	1,028,325	946,811	202,284	36,723	-	-
Intermediate sources	25,316	-	-	-	-	-	-	-	-
State sources	7,432,041	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	21,964	-	-	-	11,222	-	-	-	-
Total receipts	7,571,266	2,455,609	239,565	1,028,325	958,033	202,284	36,723	-	-
Disbursements:									
Instruction	5,363,777	-	-	-	-	-	-	61,337	-
Support services	2,366,758	-	-	871,747	765,533	183,202	90,485	44,940	-
Noninstructional services	47,056	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,322	-	-	128,441	1,417	-	524,861	-	-
Debt service	-	2,740,000	234,835	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	7,778,913	2,740,000	234,835	1,000,188	766,950	183,202	615,346	106,277	-
Excess (deficiency) of receipts over disbursements	(207,647)	(284,391)	4,730	28,137	191,083	19,082	(578,623)	(106,277)	-
Other financing sources (uses):									
Transfers in	37,453	-	-	-	-	-	400,000	-	-
Transfers out	-	-	-	-	(400,000)	-	-	-	-
Total other financing sources (uses)	37,453	-	-	-	(400,000)	-	400,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(170,194)	(284,391)	4,730	28,137	(208,917)	19,082	(178,623)	(106,277)	-
Cash and investments - ending	\$ 414,997	\$ 1,282,251	\$ 150,528	\$ 558,302	\$ 703,081	\$ 203,657	\$ 1,403,762	\$ 679,849	\$ 58,365

SOUTH 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

	School Lunch	Textbook Rental	Early Intervention Grant	Lilly Counseling Grant	Construction, Remodeling, and Equipping Buildings	Formative Assessment	Gifted/ Talented	School Technology
Cash and investments - beginning	\$ 229,347	\$ 165,571	\$ -	\$ -	\$ -	\$ -	\$ 2,399	\$ -
Receipts:								
Local sources	201,463	90,928	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	5,086	41,335	-	-	-	12,103	29,572	-
Federal sources	298,868	-	-	-	-	-	-	-
Other receipts	4,963	-	-	-	-	-	-	-
Total receipts	510,380	132,263	-	-	-	12,103	29,572	-
Disbursements:								
Instruction	-	-	-	-	-	-	28,814	-
Support services	3,553	82,780	-	-	-	-	-	-
Noninstructional services	502,284	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	505,837	82,780	-	-	-	-	28,814	-
Excess (deficiency) of receipts over disbursements	4,543	49,483	-	-	-	12,103	758	-
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	4,543	49,483	-	-	-	12,103	758	-
Cash and investments - ending	\$ 233,890	\$ 215,054	\$ -	\$ -	\$ -	\$ 12,103	\$ 3,157	\$ -

SOUTH 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

	Digital Learning Grant	Career and Technical Performance Grant	Senator David Ford Technology	Title I	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid Food	Payroll Fund	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (4,701)	\$ (2,223)	\$ -	\$ -	\$ 292,728	\$ 7,034,366
Receipts:								
Local sources	-	-	-	-	-	-	-	5,293,653
Intermediate sources	-	-	-	-	-	-	-	25,316
State sources	-	-	4,701	-	-	-	-	7,524,838
Federal sources	-	-	-	84,193	37,453	-	-	420,514
Other receipts	-	-	-	-	-	196,647	1,709,282	1,944,078
Total receipts	-	-	4,701	84,193	37,453	196,647	1,709,282	15,208,399
Disbursements:								
Instruction	-	-	-	103,654	-	-	-	5,557,582
Support services	-	-	-	-	-	-	-	4,408,998
Noninstructional services	-	-	-	-	-	-	-	549,340
Facilities acquisition and construction	-	-	-	-	-	-	-	656,041
Debt service	-	-	-	-	-	-	-	2,974,835
Nonprogrammed charges	-	-	-	-	-	190,968	1,707,523	1,898,491
Total disbursements	-	-	-	103,654	-	190,968	1,707,523	16,045,287
Excess (deficiency) of receipts over disbursements	-	-	4,701	(19,461)	37,453	5,679	1,759	(836,888)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	437,453
Transfers out	-	-	-	-	(37,453)	-	-	(437,453)
Total other financing sources (uses)	-	-	-	-	(37,453)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	4,701	(19,461)	-	5,679	1,759	(836,888)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (21,684)	\$ -	\$ 5,679	\$ 294,487	\$ 6,197,478

SOUTH 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	Construction Fund - SPHS
Cash and investments - beginning	\$ 414,997	\$ 1,282,251	\$ 150,528	\$ 558,302	\$ 703,081	\$ 203,657	\$ 1,403,762	\$ 679,849	\$ 58,365
Receipts:									
Local sources	138,509	2,020,653	237,304	1,057,880	890,194	267,917	-	-	-
Intermediate sources	35,439	-	-	-	-	-	-	-	-
State sources	7,520,015	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	16,053	-	-	-	50,166	-	-	-	-
Total receipts	7,710,016	2,020,653	237,304	1,057,880	940,360	267,917	-	-	-
Disbursements:									
Instruction	5,337,029	-	-	-	-	-	82,520	48,744	-
Support services	2,367,087	-	-	999,710	623,912	187,339	32,154	43,998	-
Noninstructional services	55,341	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,973	-	-	103,645	1,696	-	43,728	-	-
Debt service	-	1,756,000	237,009	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	7,761,430	1,756,000	237,009	1,103,355	625,608	187,339	158,402	92,742	-
Excess (deficiency) of receipts over disbursements	(51,414)	264,653	295	(45,475)	314,752	80,578	(158,402)	(92,742)	-
Other financing sources (uses):									
Transfers in	37,553	-	-	-	-	-	250,000	-	-
Transfers out	-	-	-	-	(250,000)	-	-	-	-
Total other financing sources (uses)	37,553	-	-	-	(250,000)	-	250,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,861)	264,653	295	(45,475)	64,752	80,578	91,598	(92,742)	-
Cash and investments - ending	\$ 401,136	\$ 1,546,904	\$ 150,823	\$ 512,827	\$ 767,833	\$ 284,235	\$ 1,495,360	\$ 587,107	\$ 58,365

SOUTH 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

	School Lunch	Textbook Rental	Early Intervention Grant	Lilly Counseling Grant	Construction, Remodeling, and Equipping Buildings	Formative Assessment	Gifted/ Talented	School Technology
Cash and investments - beginning	\$ 233,890	\$ 215,054	\$ -	\$ -	\$ -	\$ 12,103	\$ 3,157	\$ -
Receipts:								
Local sources	217,906	96,664	-	29,942	25,000	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	4,905	37,382	5,238	-	-	12,042	29,434	23,236
Federal sources	293,881	-	-	-	-	-	-	-
Other receipts	2,560	-	-	-	-	-	-	-
Total receipts	519,252	134,046	5,238	29,942	25,000	12,042	29,434	23,236
Disbursements:								
Instruction	-	-	-	2,099	-	-	32,074	-
Support services	4,131	81,213	3,000	24,755	-	40,812	-	-
Noninstructional services	542,562	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,248	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	546,693	81,213	3,000	28,102	-	40,812	32,074	-
Excess (deficiency) of receipts over disbursements	(27,441)	52,833	2,238	1,840	25,000	(28,770)	(2,640)	23,236
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	(27,441)	52,833	2,238	1,840	25,000	(28,770)	(2,640)	23,236
Cash and investments - ending	\$ 206,449	\$ 267,887	\$ 2,238	\$ 1,840	\$ 25,000	\$ (16,667)	\$ 517	\$ 23,236

SOUTH 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

	Digital Learning Grant	Career and Technical Performance Grant	Senator David Ford Technology	Title I	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid Food	Payroll Fund	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (21,684)	\$ -	\$ 5,679	\$ 294,487	\$ 6,197,478
Receipts:								
Local sources	-	-	-	-	-	-	-	4,981,969
Intermediate sources	-	-	-	-	-	-	-	35,439
State sources	71,300	6,992	-	-	-	-	-	7,710,544
Federal sources	-	-	-	128,834	37,553	-	-	460,268
Other receipts	-	-	-	-	-	214,512	1,762,949	2,046,240
Total receipts	71,300	6,992	-	128,834	37,553	214,512	1,762,949	15,234,460
Disbursements:								
Instruction	4,400	6,803	-	129,081	-	-	-	5,642,750
Support services	65,274	-	-	-	-	-	-	4,473,385
Noninstructional services	-	-	-	-	-	-	-	597,903
Facilities acquisition and construction	1,626	189	-	-	-	-	-	154,105
Debt service	-	-	-	-	-	-	-	1,993,009
Nonprogrammed charges	-	-	-	-	-	205,032	1,763,342	1,968,374
Total disbursements	71,300	6,992	-	129,081	-	205,032	1,763,342	14,829,526
Excess (deficiency) of receipts over disbursements	-	-	-	(247)	37,553	9,480	(393)	404,934
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	287,553
Transfers out	-	-	-	-	(37,553)	-	-	(287,553)
Total other financing sources (uses)	-	-	-	-	(37,553)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(247)	-	9,480	(393)	404,934
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (21,931)	\$ -	\$ 15,159	\$ 294,094	\$ 6,602,412

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SOUTH 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>\$ 113,370</u>	<u>\$ -</u>

SOUTH 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:				
South Putnam School Building Corporation	South Putnam School Building Corporation Refunding	\$ 962,000	01/15/2013	01/15/2022
South Putnam Grade School Building Corporation	South Putnam 2015 Grade School Building Corporation Refunding	1,157,000	07/15/1999	01/15/2020
First National Bank	Middle School 1/1 Devices	26,545	07/27/2017	07/28/2020
LEAF	South Putnam Corporation LED Lighting Project	42,564	10/25/2016	09/25/2021
Providence Capital Network LLC	Technology Purchase-ChromeBooks	45,545	02/23/2016	02/23/2019
U.S. Bank	South Putnam High School/Central Elem Campus Renovation	<u>220,000</u>	07/15/2013	01/15/2022
Total of annual lease payments		<u>\$ 2,453,654</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	South Putnam Community School Corporation Pension Bond	<u>\$ 1,474,486</u>	<u>\$ 238,495</u>

SOUTH 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.

	Ending Balance
Governmental activities:	
Land	\$ 709,950
Infrastructure	265,693
Buildings	26,018,550
Improvements other than buildings	581,942
Machinery, equipment, and vehicles	539,649
Construction in progress	25,000
Books and other	<u>100,000</u>
Total capital assets	<u>\$ 28,240,784</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

**Report on Compliance for the Major Federal Program**

We have audited the South 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 its major federal program for the period of July 1, 2015 to June 30, 2017. The School Corporation's major federal program is 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 the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. Except as discussed below, 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 the 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 THE 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 and 2017-006 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Eligibility and Special Tests and Provisions - Verification of Free and Reduced Priced Applications. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

***Qualified Opinion on the Child Nutrition Cluster***

In our opinion, except for the possible effects of the matters 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.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001, 2017-002, 2017-004, and 2017-005. Our opinion on the major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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 THE 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 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007, 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 15, 2018

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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SOUTH 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	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
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY2016	\$ -	\$ 72,537	\$ -	\$ -
School Breakfast Program		10.553	FY2017	-	-	-	68,720
Total - School Breakfast Program				-	72,537	-	68,720
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555	FY2016	-	226,331	-	-
School Lunch Program		10.555	FY2017	-	-	-	225,161
Commodities			FY2016	-	34,998	-	-
Commodities			FY2017	-	-	-	39,172
Total - National School Lunch Program				-	261,329	-	264,333
Total - Child Nutrition Cluster				-	333,866	-	333,053
Total - Department of Agriculture				-	333,866	-	333,053
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
FY 2014 Federal Part B 611	Indiana Department of Education	84.027	14214-048-PN01	-	6,797	-	-
FY 2015 Federal Part B 611		84.027	14215-048-PN01	-	119,272	-	-
FY 2016 Federal Part B 611		84.027	14216-046-PN01	-	176,669	-	110,968
FY 2017 Federal Part B 611 Grant		84.027	14217-046-PN01	-	-	-	199,863
FY 2014 Federal Technical Assistance		84.027	99914-048-TA01	-	1,590	-	-
Total - Special Education Grants to States				-	304,328	-	310,831
Special Education Preschool Grants							
FY 2014 Federal Preschool 619	Indiana Department of Education	84.173	45714-048-PN01	-	1,019	-	-
FY 2015 Federal Preschool 619		84.173	45715-048-PN01	-	226	-	11,078
FY 2016 Federal Preschool 619 Grant		84.173	45716-046-PN01	-	-	-	467
FY 2017 Federal Preschool 619 Grant		84.173	45717-046-PN01	-	-	-	278
Total - Special Education Preschool Grants				-	1,245	-	11,823
Total - Special Education Cluster (IDEA)				-	305,573	-	322,654
Title I Grants to Local Educational Agencies							
Title I	Indiana Department of Education	84.010	15-6705	-	17,329	-	-
Title I		84.010	16-6705	-	66,865	-	45,217
Title I		84.010	17-6705	-	-	-	83,617
Total - Title I Grants to Local Educational Agencies				-	84,194	-	128,834
Supporting Effective Instruction State Grants							
Title II Part A	Indiana Department of Education	84.367	16-6705	-	37,453	-	-
Title II Part A		84.367	17-6705	-	-	-	37,553
Total - Supporting Effective Instruction State Grants				-	37,453	-	37,553
Total - Department of Education				-	427,220	-	489,041
Total federal awards expended				\$ -	\$ 761,086	\$ -	\$ 822,094

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

SOUTH 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.

SOUTH 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 weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
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 Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified

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

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

No matters are reportable.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2017-001**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
 Federal Agency: Department of Agriculture  
 Federal Programs: School Breakfast Program, National School Lunch Program  
 CFDA Numbers: 10.553, 10.555  
 Federal Award Numbers and Years (or Other Identifying Numbers): FY2016  
 Pass-Through Entity: Indiana Department of Education  
 Compliance Requirement: Allowable Costs/Cost Principles  
 Audit Findings: Material Weakness, Other Matters

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

*Condition*

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

The School Corporation failed to complete the Semi-Annual Certifications for the Child Nutrition Cluster for the audit period.

*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. . . ."

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

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

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the allowable costs requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the allowable costs requirements 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 Allowable Costs/Cost Principles compliance requirement.

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

*Views of Responsible Officials*

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

**FINDING 2017-002**

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

*Condition*

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

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures. There was no oversight or review of the calculations and monitoring of the School Lunch fund monthly cash balances (net cash resources).

The School Corporation did not comply with the cash management requirement that their net cash resources not exceed three months average expenditures.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. The month-end balance of the School Corporation's School Lunch fund exceeded 3 months average expenditures for 19 months during the audit period.

*Criteria*

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

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

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

7 CFR 220.7(e) states in part:

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

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

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the cash management requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the cash management requirements 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 Cash Management compliance requirement.

*Views of Responsible Officials*

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

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

***FINDING 2017-003***

Subject: Child Nutrition Cluster - Eligibility  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement. There were no controls in place to ensure that the applications for free and reduced price meals were retained for audit.

The School Corporation was unable to provide the free and reduced price applications for the 2015-2016 school year. The School Corporation had a change in personnel and the applications were not retained for audit.

*Context*

The failure to provide appropriate audit evidence applied to the 2015-2016 school year only.

*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). . . ."

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

7 CFR 3016.42(b) states in part:

*"Length of retention period.*

- (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. . . ."

7 CFR 245.6(c)(1) states in part: ". . . The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. . . ."

2 CFR 200.333 states in part:

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

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured that supporting documentation was maintained and made available for audit related to the Eligibility compliance requirement.

*Effect*

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish effective controls to ensure that supporting documentation will be maintained for audit related to the Eligibility compliance requirement.

*Views of Responsible Officials*

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

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

***FINDING 2017-004***

Subject: Child Nutrition Cluster - Program Income  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement. There were no controls in place to ensure proper recording of program income.

Monthly transfers into the School Lunch fund were calculated by using the daily line reports that included lunch, breakfast, and ala carte totals. One transfer was made each month and was receipted into one account on the ledger instead of allocating the amounts to the proper categories.

In addition, a reconciliation between the Prepaid Food fund and the students' accounts had not been performed by the School Corporation.

*Context*

This lack of internal 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). . . ."

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

7 CFR 210.14(c) states:

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

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

7 CFR 220.7(e) states in part:

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

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

School Food Systems - Prepaid Food

Subsidiary records by student should be routinely reconciled to the cash balance and at month end.

(The School Administrator and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Volume 194, June 2011)

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the program income requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the program income requirements 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 that is part of this report.

SOUTH 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  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. There were no controls to ensure that required reports were properly supported by the records of the School Corporation.

The School Corporation did not have proper oversight or monitoring of the preparation and reporting of the Annual Financial Report and the School Food Authority (SFA) Verification Collection Report (Verification Report) for the School Lunch fund. The Annual Financial Report and Verification Report tested were not supported by the School Corporation's records.

*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). . . ."

SOUTH 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 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. . . ."

*Cause*

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

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the reporting requirements 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.

**FINDING 2017-006**

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

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

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

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications compliance requirement.

The Food Service Director performed the initial determination of eligibility and then performed the verification of the free and reduced price applications. There was no documentation of a control in place, such as an oversight, review, or approval process.

The School Corporation was unable to provide documentation to verify compliance with the verification requirements for the 2015-2016 school year. The School Corporation had a change in personnel and the documentation was not retained for audit.

*Context*

The failure to provide appropriate audit evidence applied to the 2015-2016 school year only.

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 3016.42(b) states in part:

*"Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. . . ."

7 CFR 245.6a(c) states in part:

*"Verification requirement—*

(1) *General.* The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. . . ."

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

2 CFR 200.333 states in part:

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

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured that supporting documentation was maintained and made available for audit related to the verification requirements.

*Effect*

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the verification requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish effective controls to ensure that supporting documentation will be maintained for audit related to the Special Tests and Provisions - Verification of Free and Reduced Price Applications 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 2017-007**

Subject: Child Nutrition Cluster - Equipment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Equipment and Real Property Management  
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 equipment requirements.

The School Corporation did not have controls in place to ensure that all equipment purchased for the Food Service program was added to the capital asset records.

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

*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). . . ."

*Cause*

Management had not developed a system of internal controls to ensure compliance with the equipment requirements.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Equipment and Real Property Management compliance requirement.

*Views of Responsible Officials*

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

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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.

# SOUTH PUTNAM COMMUNITY SCHOOL CORPORATION

3999 S US Highway 231  
Greencastle, Indiana 46135-9766  
(765) 653-3119 Fax (765) 653-7476

*“Successful Tradition – Innovative Future”*

Bruce D. Bernhardt, *Superintendent*  
Terri L. Beasley, *Administrative Assistant*

Hilarie R. Logan, *Treasurer*  
Cindy J. Scobee, *Secretary*

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2015-001**

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Bruce Bernhardt, Superintendent  
Contact Phone Number: (765) 653-3119

#### Status of Audit Finding:

The Superintendent or designated responsible person is signing off on reports for accuracy. Cash requests do not include anticipated expenditures but rather expenditures that have already taken place.

### **FINDING 2015-002**

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Bruce Bernhardt, Superintendent  
Contact Phone Number: (765) 653-3119

#### Status of Audit Finding:


Semi-Annual Certifications are prepared and the Building Principal or the employee involved sign the certification and return them to be kept in the administrative office with the Title I files.

### **FINDING 2015-003**

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Bruce Bernhardt, Superintendent  
Contact Phone Number: (765) 653-3119

#### Status of Audit Finding:

Comparability Reports are now signed off on by the Superintendent and Treasurer or HR Director to verify collaboration and accuracy. The Cohort Status reports are now in process to receive signatures from the Principal and Guidance Director to verify collaboration and accuracy.

  
(Signature)

Superintendent  
(Title)

10-29-2018  
(Date)

*South Putnam Community Schools  
3999 S US Hwy 231  
Greencastle, IN 46135  
765-653-3119*

CORRECTIVE ACTION PLAN

**FINDING 2017-001**

Contact Person Responsible for Corrective Action: Lori Boyce  
Contact Phone Number: 765-653-3148

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Semi-Annual Certificates have been implemented and will be kept up to date. The completed Semi-Annual Certificates will be submitted to the Superintendent to ensure all employees are accounted for and the Superintendent will initial the completed Semi-Annual Certificate.

Anticipated Completion Date: November 12, 2018

**FINDING 2017-002**

Contact Person Responsible for Corrective Action: Lori Boyce  
Contact Phone Number: 765-653-3148

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: South Putnam Community Schools Lunch Fund no longer exceeds 3 months average expenditures due to updates and repairs. Moving forward the Food Service Director will monitor the balance and implement a chart to monitor the Lunch Fund's balance. This chart will be given to the School Board to help monitor funds as well.

Anticipated Completion Date: November 12, 2018

**FINDING 2017-003**

Contact Person Responsible for Corrective Action: Lori Boyce  
Contact Phone Number: 765-653-3148

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Food Service Director maintains all Free/Reduced applications and Direct Certification now. The Food Service Director inputs all income guidelines. The income guidelines after being entered into the computer system will be double checked by Food Service Manager to ensure income guidelines have been imported correctly and will initial. Sample Free/Reduced applications will be completed after income input to ensure the initial determination is correct.

Anticipated Completion Date: School Year 2016-2017

**FINDING 2017-004**

Contact Person Responsible for Corrective Action: Lori Boyce  
Contact Phone Number: 765-653-3148

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Food Service Director will prepare monthly amounts to be transferred to the 8400 account from reports obtained from South Putnam Community Schools Point of Sale. The Food Service Director will keep these reports as well as submit the amounts to the Treasurer for proper disbursement.

Anticipated Completion Date: 12/01/2018

**FINDING 2017-005**

Contact Person Responsible for Corrective Action: Lori Boyce  
Contact Phone Number: 765-653-3148

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Annual Financial Report will be prepared by the Food Service Director and will then be submitted to Administration for approval.

Anticipated Completion Date: 07/31/2019

**FINDING 2017-006**

Contact Person Responsible for Corrective Action: Lori Boyce  
Contact Phone Number: 765-653-3148

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Food Service Director will perform the initial Direct Certification check and all Free/Reduced applications during school enrollment. The Harmony Data Analyst will perform the Direct Verification. The Harmony Data Analyst will document they performed the Verification process. The Food Service Director will maintain all Verification communication paperwork.

Anticipated Completion Date: 11/15/2019

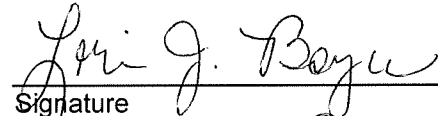

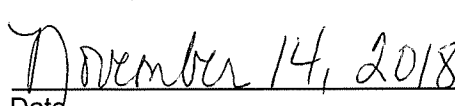
**FINDING 2017-007**

Contact Person Responsible for Corrective Action: Lori Boyce  
Contact Phone Number: 765-653-3148

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Food Service Director moving forward will email all specifications of any new equipment to proper administration to ensure any new equipment is added to the Capital Asset Records.

Anticipated Completion Date: 11/12/2018

  
\_\_\_\_\_  
Signature  
  
\_\_\_\_\_  
Title  
  
\_\_\_\_\_  
Date

#### OTHER REPORTS

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