

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

JAC-CEN-DEL COMMUNITY  
SCHOOL CORPORATION  
RIPLEY COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
01/18/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Trina Huff	07-01-14 to 12-31-18
Superintendent of Schools	William Narwold Timothy Taylor Travis Rohrig	07-01-14 to 12-31-14 01-01-15 to 06-30-18 07-01-18 to 12-31-18
President of the School Board	William Travis Neal	01-01-14 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE JAC-CEN-DEL COMMUNITY SCHOOL  
CORPORATION, RIPLEY COUNTY, INDIANA

**Report on the Financial Statement**

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

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

***Opinion on Regulatory Basis of Accounting***

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

***Other Matters***

*Supplementary Information*

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

*Other Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 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

December 3, 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 JAC-CEN-DEL COMMUNITY SCHOOL  
CORPORATION, RIPLEY 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 Jac-Cen-Del Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated December 3, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**


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

**Jac-Cen-Del Community School Corporation's Response to Findings**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

December 3, 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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JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 1,422,370	\$ 6,282,422	\$ 6,349,834	\$ (73)	\$ 1,354,885	\$ 6,234,279	\$ 6,341,753	\$ (13,200)	\$ 1,234,211
Debt Service	364,277	523,532	489,832	(28,018)	369,959	522,815	487,500	(21,300)	383,974
Capital Projects	211,734	804,000	619,369	-	396,365	811,560	675,155	-	532,770
School Transportation	98,238	512,286	459,746	14,825	165,603	523,659	450,431	37	238,868
School Bus Replacement	168,726	174,875	167,733	-	175,868	178,481	368,405	-	(14,056)
Rainy Day	479,246	6,811	124,249	-	361,808	168,808	89,431	13,000	454,185
School Lunch	241,076	492,835	496,124	-	237,787	499,598	573,281	-	164,104
Textbook Rental	126,066	114,346	97,508	28,018	170,922	110,719	42,928	21,300	260,013
Levy Excess	14,825	37	-	(14,825)	37	-	-	(37)	-
Rising Sun Grants	-	30,000	30,000	-	-	-	-	-	-
East Indiana AHEC Grant	(816)	816	-	-	-	-	-	-	-
Ripley County Community Foundation Grant	1,544	10,554	1,716	-	10,382	1,924	11,790	-	516
Reynolds Grant	53,902	135,626	184,471	-	5,057	-	5,055	-	2
Educational License Plates	-	38	-	-	38	56	94	-	-
Project Lead the Way	-	-	-	-	-	150	150	-	-
Recreational Activities	18,684	15,907	20,607	-	13,984	16,092	17,263	-	12,813
Scholarships and Awards	-	-	-	-	-	1,000	1,000	-	-
Playground Equipment Donation	-	-	-	-	-	40,000	-	-	40,000
Miscellaneous Programs	-	17,073	16,978	-	95	-	95	-	-
Drug Awareness Coalition Grant	-	480	-	-	480	-	480	-	-
Reynolds 2015-16	-	-	-	-	-	37,219	37,219	-	-
Step Ahead	20,155	13,685	15,906	-	17,934	14,623	17,484	-	15,073
Secured Schools Safety Grant	(933)	35,000	59,722	-	(25,655)	35,000	44,344	-	(34,999)
School Technology	-	5,409	-	-	5,409	6,564	11,960	-	13
Title I 2013-14	(9,121)	15,310	6,189	-	-	-	-	-	-
Title I 2011-2012	-	-	-	-	-	156,925	167,222	-	(10,297)
Title I 2018-2019	-	135,382	154,471	-	(19,089)	27,986	8,897	-	-
ROD Federal	-	-	-	-	-	52,347	55,770	-	(3,423)
ROD Federal Preschool	-	-	-	-	-	104,152	104,169	-	(17)
6843 Title II Part A	(12,518)	40,651	34,067	-	(5,934)	37,764	40,551	8,721	-
Title II FY 14 14-16	-	-	-	-	-	50,166	42,148	(8,721)	(703)
Title II FY 15 15-17	-	-	-	-	-	-	4,998	-	(4,998)
Rural Schools and Low Income Program - Pass Through State	-	-	-	-	-	18,191	18,191	-	-
Cafeteria Prepaid	5,822	230,435	231,018	-	5,239	222,438	222,025	-	5,652
Payroll Clearing Fund	39,237	1,248,444	1,284,546	-	3,135	1,274,432	1,276,502	-	1,065
Totals	\$ 3,242,514	\$ 10,845,954	\$ 10,844,086	\$ (73)	\$ 3,244,309	\$ 11,146,948	\$ 11,116,291	\$ (200)	\$ 3,274,766

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

JAC-CEN-DEL 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.

JAC-CEN-DEL 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.

JAC-CEN-DEL 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.

JAC-CEN-DEL 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.

*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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 primarily a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2015 and 2016. The deficit in cash in the School Bus Replacement fund was the result of buses being ordered at the beginning of the year in order to obtain a discount, which resulted in a cash balance deficit until receipt of the subsequent tax distribution.

**Note 8. Holding Corporation**

The School Corporation has entered into a capital lease with Jac-Cen-Del Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years ended June 30, 2015 and 2016, totaled \$483,832 and \$487,000, respectively.

#### OTHER INFORMATION - UNAUDITED

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

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

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

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 1,422,370	\$ 364,277	\$ 211,734	\$ 98,238	\$ 168,726	\$ 479,246	\$ 241,076	\$ 126,066	\$ 14,825
Receipts:									
Local sources	505,886	523,532	787,436	512,286	174,875	6,811	250,621	64,655	37
Intermediate sources	13	-	-	-	-	-	-	-	-
State sources	5,776,523	-	-	-	-	-	6,574	28,507	-
Federal sources	-	-	-	-	-	-	235,640	20,884	-
Other receipts	-	-	16,564	-	-	-	-	300	-
Total receipts	6,282,422	523,532	804,000	512,286	174,875	6,811	492,835	114,346	37
Disbursements:									
Instruction	4,577,899	-	-	-	-	122,796	-	-	-
Support services	1,666,445	-	470,066	459,746	167,733	1,453	39,831	97,508	-
Noninstructional services	93,990	-	-	-	-	-	452,739	-	-
Facilities acquisition and construction	11,500	-	149,303	-	-	-	3,554	-	-
Debt service	-	489,832	-	-	-	-	-	-	-
Total disbursements	6,349,834	489,832	619,369	459,746	167,733	124,249	496,124	97,508	-
Excess (deficiency) of receipts over disbursements	(67,412)	33,700	184,631	52,540	7,142	(117,438)	(3,289)	16,838	37
Other financing sources (uses):									
Transfers in	77	-	-	14,825	-	-	-	28,018	-
Transfers out	(150)	(28,018)	-	-	-	-	-	-	(14,825)
Total other financing sources (uses)	(73)	(28,018)	-	14,825	-	-	-	28,018	(14,825)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(67,485)	5,682	184,631	67,365	7,142	(117,438)	(3,289)	44,856	(14,788)
Cash and investments - ending	\$ 1,354,885	\$ 369,959	\$ 396,365	\$ 165,603	\$ 175,868	\$ 361,808	\$ 237,787	\$ 170,922	\$ 37

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

	Rising Sun Grants	East Indiana AHEC Grant	Ripley County Community Foundation Grant	Reynolds Grant	Educational License Plates	Project Lead the Way	Recreational Activities	Scholarships and Awards	Playground Equipment Donation
Cash and investments - beginning	\$ -	\$ (816)	\$ 1,544	\$ 53,902	\$ -	\$ -	\$ 18,684	\$ -	\$ -
Receipts:									
Local sources	30,000	816	10,554	135,626	-	-	15,907	-	-
Intermediate sources	-	-	-	-	38	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	30,000	816	10,554	135,626	38	-	15,907	-	-
Disbursements:									
Instruction	-	-	1,716	124,045	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	20,607	-	-
Facilities acquisition and construction	30,000	-	-	60,426	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Total disbursements	30,000	-	1,716	184,471	-	-	20,607	-	-
Excess (deficiency) of receipts over disbursements	-	816	8,838	(48,845)	38	-	(4,700)	-	-
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	-	816	8,838	(48,845)	38	-	(4,700)	-	-
Cash and investments - ending	\$ -	\$ -	\$ 10,382	\$ 5,057	\$ 38	\$ -	\$ 13,984	\$ -	\$ -

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

	Miscellaneous Programs	Drug Awareness Coalition Grant	Reynolds 2015-16	Step Ahead	Secured Schools Safety Grant	School Technology	Title I 2013-14	Title I 2011-12	Title I 2018-2019
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 20,155	\$ (933)	\$ -	\$ (9,121)	\$ -	\$ -
Receipts:									
Local sources	17,073	480	-	13,685	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	35,000	5,409	-	-	-
Federal sources	-	-	-	-	-	-	15,310	-	135,382
Other receipts	-	-	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>17,073</b>	<b>480</b>	<b>-</b>	<b>13,685</b>	<b>35,000</b>	<b>5,409</b>	<b>15,310</b>	<b>-</b>	<b>135,382</b>
Disbursements:									
Instruction	16,978	-	-	-	-	-	5,980	-	126,668
Support services	-	-	-	-	59,620	-	209	-	25,353
Noninstructional services	-	-	-	15,906	-	-	-	-	2,450
Facilities acquisition and construction	-	-	-	-	102	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>16,978</b>	<b>-</b>	<b>-</b>	<b>15,906</b>	<b>59,722</b>	<b>-</b>	<b>6,189</b>	<b>-</b>	<b>154,471</b>
Excess (deficiency) of receipts over disbursements	95	480	-	(2,221)	(24,722)	5,409	9,121	-	(19,089)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	95	480	-	(2,221)	(24,722)	5,409	9,121	-	(19,089)
Cash and investments - ending	\$ 95	\$ 480	\$ -	\$ 17,934	\$ (25,655)	\$ 5,409	\$ -	\$ -	\$ (19,089)

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

	ROD Federal	ROD Federal Preschool	6843 Title II Part A	Title II FY 14 14-16	Title II FY 15 15-17	Rural Schools and Low Income Program - Pass Through State	Cafeteria Prepaid	Payroll Clearing Fund	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (12,518)	\$ -	\$ -	\$ -	\$ 5,822	\$ 39,237	\$ 3,242,514
Receipts:									
Local sources	-	-	-	-	-	-	230,435	1,248,444	4,529,159
Intermediate sources	-	-	-	-	-	-	-	-	51
State sources	-	-	-	-	-	-	-	-	5,852,013
Federal sources	-	-	40,651	-	-	-	-	-	447,867
Other receipts	-	-	-	-	-	-	-	-	16,864
Total receipts	-	-	40,651	-	-	-	230,435	1,248,444	10,845,954
Disbursements:									
Instruction	-	-	17,442	-	-	-	-	-	4,993,524
Support services	-	-	-	-	-	-	231,018	1,284,546	4,503,528
Noninstructional services	-	-	-	-	-	-	-	-	585,692
Facilities acquisition and construction	-	-	16,625	-	-	-	-	-	271,510
Debt service	-	-	-	-	-	-	-	-	489,832
Total disbursements	-	-	34,067	-	-	-	231,018	1,284,546	10,844,086
Excess (deficiency) of receipts over disbursements	-	-	6,584	-	-	-	(583)	(36,102)	1,868
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	42,920
Transfers out	-	-	-	-	-	-	-	-	(42,993)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(73)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	6,584	-	-	-	(583)	(36,102)	1,795
Cash and investments - ending	\$ -	\$ -	\$ (5,934)	\$ -	\$ -	\$ -	\$ 5,239	\$ 3,135	\$ 3,244,309

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 1,354,885	\$ 369,959	\$ 396,365	\$ 165,603	\$ 175,868	\$ 361,808	\$ 237,787	\$ 170,922	\$ 37
Receipts:									
Local sources	293,016	522,815	789,489	522,463	178,481	84,138	235,344	57,326	-
Intermediate sources	14	-	-	-	-	-	-	-	-
State sources	5,941,249	-	-	-	-	84,670	6,908	30,077	-
Federal sources	-	-	-	-	-	-	257,346	23,016	-
Other receipts	-	-	22,071	1,196	-	-	-	300	-
Total receipts	6,234,279	522,815	811,560	523,659	178,481	168,808	499,598	110,719	-
Disbursements:									
Instruction	4,466,963	-	-	-	-	88,860	-	-	-
Support services	1,786,113	-	430,171	450,431	368,405	571	20,734	42,928	-
Noninstructional services	88,677	-	-	-	-	-	509,890	-	-
Facilities acquisition and construction	-	-	244,984	-	-	-	18,657	-	-
Debt service	-	487,500	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	24,000	-	-
Total disbursements	6,341,753	487,500	675,155	450,431	368,405	89,431	573,281	42,928	-
Excess (deficiency) of receipts over disbursements	(107,474)	35,315	136,405	73,228	(189,924)	79,377	(73,683)	67,791	-
Other financing sources (uses):									
Transfers in	-	-	-	37	-	13,000	-	21,300	-
Transfers out	(13,200)	(21,300)	-	-	-	-	-	-	(37)
Total other financing sources (uses)	(13,200)	(21,300)	-	37	-	13,000	-	21,300	(37)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(120,674)	14,015	136,405	73,265	(189,924)	92,377	(73,683)	89,091	(37)
Cash and investments - ending	\$ 1,234,211	\$ 383,974	\$ 532,770	\$ 238,868	\$ (14,056)	\$ 454,185	\$ 164,104	\$ 260,013	\$ -

JAC-CEN-DEL 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

	Rising Sun Grants	East Indiana AHEC Grant	Ripley County Community Foundation Grant	Reynolds Grant	Educational License Plates	Project Lead the Way	Recreational Activities	Scholarships and Awards	Playground Equipment Donation
Cash and investments - beginning	\$ -	\$ -	\$ 10,382	\$ 5,057	\$ 38	\$ -	\$ 13,984	\$ -	\$ -
Receipts:									
Local sources	-	-	1,924	-	-	150	16,092	1,000	40,000
Intermediate sources	-	-	-	-	56	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	1,924	-	56	150	16,092	1,000	40,000
Disbursements:									
Instruction	-	-	10,288	5,055	-	-	-	-	-
Support services	-	-	1,502	-	94	150	100	-	-
Noninstructional services	-	-	-	-	-	-	17,163	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	1,000	-
Total disbursements	-	-	11,790	5,055	94	150	17,263	1,000	-
Excess (deficiency) of receipts over disbursements	-	-	(9,866)	(5,055)	(38)	-	(1,171)	-	40,000
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	-	-	(9,866)	(5,055)	(38)	-	(1,171)	-	40,000
Cash and investments - ending	\$ -	\$ -	\$ 516	\$ 2	\$ -	\$ -	\$ 12,813	\$ -	\$ 40,000

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

	Miscellaneous Programs	Drug Awareness Coalition Grant	Reynolds 2015-16	Step Ahead	Secured Schools Safety Grant	School Technology	Title I 2013-14	Title I 2011-12	Title I 2018-2019
Cash and investments - beginning	\$ 95	\$ 480	\$ -	\$ 17,934	\$ (25,655)	\$ 5,409	\$ -	\$ -	\$ (19,089)
Receipts:									
Local sources	-	-	37,219	14,623	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	35,000	6,564	-	-	-
Federal sources	-	-	-	-	-	-	-	156,925	27,986
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	37,219	14,623	35,000	6,564	-	156,925	27,986
Disbursements:									
Instruction	95	480	37,219	-	-	-	-	151,536	6,436
Support services	-	-	-	300	44,344	11,960	-	10,604	507
Noninstructional services	-	-	-	17,184	-	-	-	5,082	1,954
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	95	480	37,219	17,484	44,344	11,960	-	167,222	8,897
Excess (deficiency) of receipts over disbursements	(95)	(480)	-	(2,861)	(9,344)	(5,396)	-	(10,297)	19,089
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	(95)	(480)	-	(2,861)	(9,344)	(5,396)	-	(10,297)	19,089
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 15,073	\$ (34,999)	\$ 13	\$ -	\$ (10,297)	\$ -

JAC-CEN-DEL 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

	ROD Federal	ROD Federal Preschool	6843 Title II Part A	Title II FY 14 14-16	Title II FY 15 15-17	Rural Schools and Low Income Program - Pass Through State	Cafeteria Prepaid	Payroll Clearing Fund	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (5,934)	\$ -	\$ -	\$ -	\$ 5,239	\$ 3,135	\$ 3,244,309
Receipts:									
Local sources	52,347	-	-	-	-	18,191	222,438	1,274,432	4,361,488
Intermediate sources	-	-	-	-	-	-	-	-	70
State sources	-	104,152	-	-	-	-	-	-	6,208,620
Federal sources	-	-	37,764	50,166	-	-	-	-	553,203
Other receipts	-	-	-	-	-	-	-	-	23,567
Total receipts	52,347	104,152	37,764	50,166	-	18,191	222,438	1,274,432	11,146,948
Disbursements:									
Instruction	55,770	104,169	13,817	6,764	-	18,191	222,025	1,276,502	6,464,170
Support services	-	-	-	-	-	-	-	-	3,168,914
Noninstructional services	-	-	-	-	-	-	-	-	639,950
Facilities acquisition and construction	-	-	26,734	35,384	4,998	-	-	-	330,757
Debt service	-	-	-	-	-	-	-	-	487,500
Nonprogrammed charges	-	-	-	-	-	-	-	-	25,000
Total disbursements	55,770	104,169	40,551	42,148	4,998	18,191	222,025	1,276,502	11,116,291
Excess (deficiency) of receipts over disbursements	(3,423)	(17)	(2,787)	8,018	(4,998)	-	413	1,065	33,792
Other financing sources (uses):									
Transfers in	-	-	8,721	-	-	-	-	-	43,058
Transfers out	-	-	-	(8,721)	-	-	-	-	(43,258)
Total other financing sources (uses)	-	-	8,721	(8,721)	-	-	-	-	(200)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,423)	(17)	5,934	(703)	(4,998)	-	413	1,065	33,592
Cash and investments - ending	\$ (3,423)	\$ (17)	\$ -	\$ (703)	\$ (4,998)	\$ -	\$ 5,652	\$ 1,065	\$ 3,274,766

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 122,661</u>	<u>\$ 35,858</u>

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2016

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities: Jac-Cen-Del Community School Building Corporation	Building renovations	<u>\$ 487,000</u>	7/15/2012	7/15/2030
Total of annual lease payments		<u><u>\$ 487,000</u></u>		

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2016

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

	Ending Balance
Governmental activities:	
Land	\$ 522,400
Infrastructure	500,000
Buildings	25,711,349
Improvements other than buildings	135,790
Machinery, equipment, and vehicles	<u>1,726,485</u>
Total governmental activities	<u>28,596,024</u>
Total capital assets	<u>\$ 28,596,024</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION, RIPLEY COUNTY, INDIANA

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016.

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

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-004, 2016-005, 2016-007, and 2016-008. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**


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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, and 2016-008 to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

December 3, 2018

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

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-15	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
Cafeteria School Breakfast Program			69-6900	\$ 50,815	\$ -
Cafeteria School Breakfast Program			69-6900	-	61,301
Total - School Breakfast Program				<u>50,815</u>	<u>61,301</u>
National School Lunch Program					
National School Lunch Program	Indiana Department of Education	10.555			
Cafeteria School Lunch Program			69-6900	184,825	-
Cafeteria School Lunch Program			69-6900	-	196,045
Commodities			FY15	35,120	-
Commodities			FY16	-	41,707
Total - National School Lunch Program				<u>219,945</u>	<u>237,752</u>
Total - Child Nutrition Cluster				<u>270,760</u>	<u>299,053</u>
Total - Department of Agriculture				<u>270,760</u>	<u>299,053</u>
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States	Indiana Department of Education	84.027			
Special Education Grant			14214-052-PN01	46,047	268
Special Education Grant			14215-052-PN01	91,495	48,598
Special Education Grant			14216-050-PN01	-	74,522
Technical Assistance			99914-052-TA01	2,416	1,435
Total - Special Education Grants to States				<u>139,958</u>	<u>124,823</u>

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-15	Total Federal Awards Expended 06-30-16
Special Education Preschool Grants	Indiana Department of Education	84.173	45714-052-PN01	1,394	193
Special Education Preschool Grant			45715-052-PN01	-	1,976
Special Education Preschool Grant			45716-052-PN01	-	151
Total - Special Education Preschool Grants				<u>1,394</u>	<u>2,320</u>
Total - Special Education Cluster (IDEA)				<u>141,352</u>	<u>127,143</u>
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title I Part A FY 2015			15-6900	150,692	-
Title I Part A FY 2016			16-6900	-	184,911
Total - Title I Grants to Local Educational Agencies				<u>150,692</u>	<u>184,911</u>
Rural Education	Indiana Department of Education	84.358			
Title VI Part B Subpart 2			7000S358B140014	-	18,191
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
Title IIA FY 2015			FY2015	40,651	37,764
Title IIA FY 2016			FY2016	-	50,166
Total - Improving Teacher Quality Grants				<u>40,651</u>	<u>87,930</u>
Total - Department of Education				<u>332,695</u>	<u>418,175</u>
Total federal awards expended				<u>\$ 603,455</u>	<u>\$ 717,228</u>

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

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

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

**Note 2. Summary of Significant Accounting Policies**

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

JAC-CEN-DEL 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?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Programs:

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

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

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

**Section II - Financial Statement Findings**

**FINDING 2016-001**

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

*Repeat Finding*

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer prepared and submitted the federal award information with no documented control in place, such as an oversight, review, or approval process, to ensure the accuracy of the information prior to submission.

*Context*

The SEFA contained the following errors:

1. The Child Nutrition Cluster was understated by \$35,120 and \$41,707 for the school years ended June 30, 2015 and 2016, respectively.
2. The Special Education Cluster (IDEA) was understated by \$111,040 and \$48,779 for the school years ended June 30, 2015 and 2016, respectively.
3. The Title I Grants to Local Educational Agencies program was understated by \$15,310 and \$27,986 for the school years ended June 30, 2015 and 2016, respectively.
4. The Improving Teacher Quality State Grants program was understated by \$37,764 for the school year ended June 30, 2016.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*Criteria*

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

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

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

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

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

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

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**FINDING 2016-002**

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: National School Lunch Program, School Breakfast Program  
CFDA Numbers: 10.555, 10.553  
Federal Award Numbers and Years (or Other Identifying Numbers): 69-6900, FY15, FY16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2014-004 from the immediately prior audit.

*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 Treasurer reviewed the School Lunch fund cash balance monthly, but there was no oversight or review process to ensure compliance with Cash Management requirements. The failure to establish an effective internal control system allowed noncompliance with the requirements.

The School Corporation maintained a cash balance in the School Lunch fund in excess of federal regulations. The average three month expenditures of the School Corporation for the School Lunch fund for fiscal year 2015 and fiscal year 2016 were \$148,837 and \$171,984, respectively. The month-end cash balances exceeded the average three month expenditures in 23 of the 24 months tested with cash balances that ranged from \$180,876 to \$241,738.

*Context*

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

*Criteria*

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

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

JAC-CEN-DEL 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; . . ."

*Cause*

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

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the compliance requirement.

*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 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.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-003***

Subject: Child Nutrition Cluster - Internal Controls  
Federal Agency: Department of Agriculture  
Federal Programs: National School Lunch Program, School Breakfast Program  
CFDA Numbers: 10.555, 10.553  
Federal Award Numbers and Years (or Other Identifying Numbers): 69-6900, FY15, FY16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Eligibility, Equipment and Real Property Management,  
Reporting, Special Tests and Provisions - Verification  
of Free and Reduced Price Applications (NSLP)  
Audit Finding: Material Weaknesses

*Repeat Finding*

This is a repeat finding from the immediately prior audit as it pertains to Eligibility, Equipment and Real Property Management, and Reporting. The prior audit finding numbers were 2014-005, 2014-007, and 2014-008.

*Condition*

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

*Eligibility*

One person was primarily responsible for inputting information from free and reduced price applications into the computer software system that determined eligibility. There was no control in place, such as an oversight, review, or approval process, to verify that the eligibility determinations were entered or made correctly.

*Equipment and Real Property Management*

The Treasurer maintained an asset schedule, which included equipment purchased from the School Lunch fund. There was no control in place, such as an oversight, review, or approval process, to ensure that the asset schedule was accurately maintained.

*Reporting*

The Treasurer prepared and submitted the monthly reimbursement requests and Annual Financial Reports. There was no control in place, such as an oversight, review, or approval process, to ensure that the reports were accurate.

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

One person was primarily responsible for performing the required verification of free and reduced price applications. There was no control in place, such as an oversight, review, or approval process, to ensure that the verifications were properly performed.

*Context*

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-004***

Subject: Child Nutrition Cluster - Procurement  
Federal Agency: Department of Agriculture  
Federal Programs: National School Lunch Program, School Breakfast Program  
CFDA Numbers: 10.555, 10.553  
Federal Award Number and Year (or Other Identifying Number): FY16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2014-006 from the immediately prior audit.

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the procurement requirements. The School Corporation did not have a purchasing policy addressing micro-purchases, small purchases, and other purchases. No evidence of price or rate quotations was presented for audit for five purchases that exceeded the threshold requiring price or rate quotations.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.319(c) states in part: "The non-Federal entity must have written procedures for procurement transactions. . . ."

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.320 states in part:

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

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

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

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

*Cause*

Management had not developed an effective internal control system that would have ensured compliance with the procurement requirements.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

**FINDING 2016-005**

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 69-6900, FY15

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity

Audit Findings: Material Weakness, Other Matters

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Repeat Finding*

This is a repeat of Finding 2014-009 from the immediately prior audit.

*Condition*

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

For the 2014-2015 school year, there was no preparation of paid lunch equity calculations made by the School Corporation. There was a lack of controls in place to ensure that Paid Lunch Equity calculations were performed and accurate. The head cook began completing the Paid Lunch Equity calculation during the 2015-2016 school year.

*Context*

The lack of controls and noncompliance were systemic issues during the 2014-2015 school year.

*Criteria*

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

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

7 CFR 210.14(e) states in part:

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

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

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

*Cause*

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2016-006**

Subject: Title I Grants to Local Educational Agencies - Internal Controls  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 15-6900, 16-6900  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Cash Management, Period of Availability, Reporting  
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 following compliance requirements:

*Cash Management and Period of Availability*

The requests for reimbursement and supporting documentation of expenses claimed for reimbursements were prepared and submitted by the Treasurer. During the 2014-2015 school year, there was no control in place, such as an oversight, review, or approval process, to ensure that expenses requested for reimbursement complied with Cash Management and Period of Availability requirements.

*Reporting*

The requests for reimbursements were prepared and submitted by the Treasurer. During the 2014-2015 school year, there was no control in place, such as an oversight, review, or approval process, to ensure that the reports were accurate. The Treasurer prepared the Annual Expenditure Reports without a control in place to ensure that the reports were accurate prior to submission.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Context*

The lack of controls over Reporting was a systemic issue that occurred throughout the audit period. The lack of controls over Cash Management and Period of Availability occurred throughout the 2014-2015 school year.

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-007***

Subject: Title I Grants to Local Educational Agencies - Procurement  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Number and Year (or Other Identifying Number): 16-6900  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
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 procurement requirements.

The School Corporation did not have a purchasing policy addressing micro-purchases, small purchases, and other purchase methods. There were no controls in place, such as an oversight, review, or approval process, to ensure compliance with procurement requirements.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.319(c) states in part: "The non-Federal entity must have written procedures for procurement transactions. . . ."

2 CFR 200.320 states in part:

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

- (a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2016-008**

Subject: Title I Grants to Local Educational Agencies - Special  
Tests and Provisions - Schoolwide Programs

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 15-6900, 16-6900

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Schoolwide Programs

Audit Findings: Material Weakness, Other Matters

*Condition*

Management of the School Corporation did not have an effective internal control system in place to ensure compliance with the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement. Documentation was not presented for audit to verify that the schools operating a schoolwide program included the following required core elements:

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

1. Comprehensive needs assessment.
2. Comprehensive plan.
3. Annual evaluation of the schoolwide program.

*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). . . ."

34 CFR 200.26 states:

"(a) *Comprehensive needs assessment.*

- (1) A school operating a schoolwide program must conduct a comprehensive needs assessment of the entire school that—
  - (i) Is based on academic achievement information about all students in the school, including all groups under § 200.13(b)(7) and migratory children as defined in section 1309(2) of the ESEA, relative to the State's academic standards under § 200.1 to—
    - (A) Help the school understand the subjects and skills for which teaching and learning need to be improved; and
    - (B) Identify the specific academic needs of students and groups of students who are not yet achieving the State's academic standards; and
  - (ii) Assesses the needs of the school relative to each of the components of the schoolwide program under § 200.28.
- (2) The comprehensive needs assessment must be developed with the participation of individuals who will carry out the schoolwide program plan.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (3) The school must document how it conducted the needs assessment, the results it obtained, and the conclusions it drew from those results.

(b) *Comprehensive plan.* Using data from the comprehensive needs assessment under paragraph (a) of this section, a school that wishes to operate a schoolwide program must develop a comprehensive plan, in accordance with § 200.27, that describes how the school will improve academic achievement throughout the school, but particularly for those students furthest away from demonstrating proficiency, so that all students demonstrate at least proficiency on the State's academic standards.

(c) *Evaluation.* A school operating a schoolwide program must—

- (1) Annually evaluate the implementation of, and results achieved by, the schoolwide program, using data from the State's annual assessments and other indicators of academic achievement;
- (2) Determine whether the schoolwide program has been effective in increasing the achievement of students in meeting the State's academic standards, particularly for those students who had been furthest from achieving the standards; and
- (3) Revise the plan, as necessary, based on the results of the evaluation, to ensure continuous improvement of students in the schoolwide program."

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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



JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
723 N Buckeye Street, Osgood Indiana 47037  
Phone: 812-689-4114 Fax: 812-689-7423

*"Great Things Are Happening at Jac-Cen-Del"*

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-002 - ALLOWABLE COSTS/COST PRINCIPLES**

Fiscal year in which the finding initially occurred: 2013 and 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture

Contact Person Responsible for Corrective Action: Trina Huff, Treasurer

Contact Phone Number: 812-689-4114

Grant Managers will review and sign off on all activities pertaining to their prospective grants. The treasurer and/or the superintendent will sign off on all reimbursement request.

Status of Audit Finding: Completed

### **FINDING 2014-003 - CASH MANAGEMENT, PERIOD OF AVAILABILITY, AND REPORTING**

Fiscal year in which the finding initially occurred: 2013 and 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Education

Contact Person Responsible for Corrective Action: Trina Huff, Treasurer

Contact Phone Number: 812-689-4114

Grant Managers will review and sign off on all activities pertaining to their prospective grants. The treasurer and/or the superintendent will sign off on all reimbursement request. Each payroll the distribution report will be printed for review and signed off by the treasurer and deputy treasurer.

Status of Audit Finding: Completed

### **FINDING 2014-004 - CASH MANAGEMENT**

Fiscal year in which the finding initially occurred: 2013 and 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture

Contact Person Responsible for Corrective Action: Trina Huff, Treasurer

Contact Phone Number: 812-689-4114

Communicating with cafeteria managers and advising them to put together a plan to help alleviate this matter. I have also worked with them to get the fund balance in to compliance. I have them review and sign off on the reimbursement each month.

Status of Audit Finding: Completed

### **FINDING 2014-005 - EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Fiscal year in which the finding initially occurred: 2013 and 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture

Contact Person Responsible for Corrective Action: Trina Huff, Treasurer

Contact Phone Number: 812-689-4114

Cafeteria Managers are providing an inventory of all cafeteria assets. This inventory will be updated and maintained on a yearly basis.

Status of Audit Finding: Completed

### **FINDING 2014-006 - PROCUREMENT AND SUSPENSION AND DEBARMENT**

Fiscal year in which the finding initially occurred: 2013 and 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture

Contact Person Responsible for Corrective Action: Trina Huff, Treasurer

Contact Phone Number: 812-689-4114

This year the corporation obtained 3 bids on those areas necessary and also used the website to check for suspension and debarment of the vendors and all documentation has been kept.

Status of Audit Finding: Complete

### **FINDING 2014-007 - REPORTING**

Fiscal year in which the finding initially occurred: 2013 and 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture  
Contact Person Responsible for Corrective Action: Trina Huff, Treasurer  
Contact Phone Number: 812-689-4114  
All future pricing for student and adult lunches will be set and approved by the board. The corporation will be more specific and have adequate policies to insure that all requirements are met. Meal count and dollar figures are checked on a monthly basis to insure that pricing and the proper number of meals served coincide with the number being requested for reimbursement as they should.  
Status of Audit Finding: Complete

**FINDING 2014-008 - ELIGIBILITY**

Fiscal year in which the finding initially occurred: 2013 and 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture  
Contact Person Responsible for Corrective Action: Trina Huff, Treasurer  
Contact Phone Number: 812-689-4114  
A copy of the letter provided to each parent sent notifying them of their Direct Certification is on file and each parent has signed off on the application indicating they were informed of their status. Those who apply throughout the year receive a copy of the notification letter, which will also be kept on file.  
Status of Audit Finding: Completed

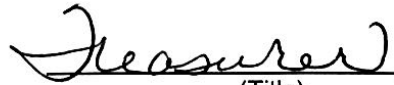
**FINDING 2014-009 - SPECIAL TESTS AND PROVISIONS**

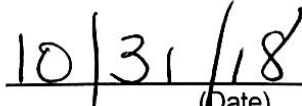
Fiscal year in which the finding initially occurred: 2013 and 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture  
Contact Person Responsible for Corrective Action: Trina Huff, Treasurer  
Contact Phone Number: 812-689-4114  
The PLE was filed by the treasurer this year, reviewed and signed by the cafeteria manager at the High School.  
Status of Audit Finding: Completed

**FINDING 2014-010 - ALLOWABLE COSTS/COST PRINCIPLES**

Fiscal year in which the finding initially occurred: 2013 and 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Education  
Contact Person Responsible for Corrective Action: Trina Huff, Treasurer  
Contact Phone Number: 812-689-4114  
The Directors responsible for personnel working and being paid under their grant will be required to prepare and sign off on a Time and Effort log.  
Status of Audit Finding: Completed

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

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



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## CORRECTIVE ACTION PLAN

Views of Responsible Official: We concur with the findings 2016-001 through 2016-008. However we wanted to add the following comments pertaining to the findings.

Some of my views on this process it that when it came to the cafeteria accounts and getting the accounts down to the 3-month expenditure threshold we did not just start spending money to spend money, we wanted to be diligent in how we did this process and it took a little longer than what the auditors thought it should and we changed some of the ways we were going to make this happen. Also with the audits being so far behind we are already through the next audit period before we find out about any changes we need to be making. I believe the audit process could use some tweaking also. A lot of the issues that states that they are not reviewed by more than one person, are in fact a lot of times reviewed by more than one, it is just simply the fact that we don't sign every piece of paper that is involved in the process. People wear many hats in a small school corporation and I feel that if there are no implications that embezzling or fraud is taking place and if audits could be done in a timelier manner it would help alleviate some of the findings that schools have to deal with.

Description of Corrective Action Plan:

### **FINDING 2016-001**

Due to lack of communication and understanding of the process and spreadsheets provided some information was left off of the SEFA. Corrective action has already been put in place regarding getting the necessary information on one spreadsheet to include on the SEFA and corrective action has already been applied regarding putting the commodities on the SEFA. The treasurer and superintendent will both review and sign off on the SEFA moving forward.

### **FINDING 2016-002**

Corrective action has already been put in place to keep the monthly balance under the 3 months of expenditures threshold. There was a procedure put in place to start expending some of these funds to get the balances down. It is not a quick process and we wanted to be very diligent in how we did this but we are now getting a finding because we did not do this quickly enough or exactly how we said we would.

### **FINDING 2016-003**

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

We are doing the process the same as what we did in the previous audit and there was no mention that we were not doing correctly. The Head cook is not the only one who reviews these verifications. The treasurer also looks over them and the head cook and treasurer enter this information on the website together. Once again moving forward the treasurer and café manager will sign the forms. I believe that with the head cooks and the treasurer sharing the responsibilities of maintaining the accounts, requesting reimbursements, verifications and such that is a good internal controls system.

Equipment and Real Property Management

In the previous audit it was suggested that we have a more detailed assets inventory. The treasurer created said spreadsheet inventory but it was not indicated that it had to be signed off on. The maintenance director, transportation director, technology director, café managers and anyone else necessary to the process will inform the treasurer if something has been discarded, and the treasurer will note on the sheet all those items that have been purchased. Corrective action has already been put in place for this finding. The Treasurer is now sending a copy of the assets spreadsheet to anyone who needs to review it and asking for each one to review it and sign off on it. Also inventories from everyone have always been and still are required at the end of each school year.

Eligibility

Corrective action has already been put in place for this finding. The board has approved and the treasurer is now doing a second audit review.

Reporting

A corrective action was put in place to have the cafeteria managers sign off on the printed cash balance sheet each month but the treasurer was informed that this process was not sufficient and the corrective action of having each cafeteria manager sign off on the packet containing the fund report, cash balance report and the monthly reimbursement request is now in place.

**FINDING 2016-004**

In the previous audit it was mentioned about doing the suspension and debarment, and this procedure has been followed since. The purchasing policy was a timing issue; it was corrected almost immediately after the last audit.

**FINDING 2016-005**

In the first year following the audit I don't think that the treasurer or the cafeteria managers realized this had to be done. It is now being done.

**FINDING 2016-006**

Corrective action has been put in place for this finding. The reports and everything pertaining to Title I finances is reviewed by both the Treasurer and Title I Director. Many of the grants now require two signatures on the reimbursements which is how I feel it should have always been.

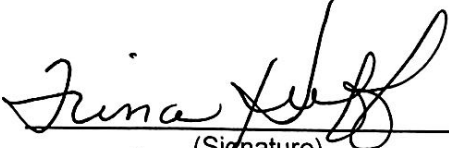
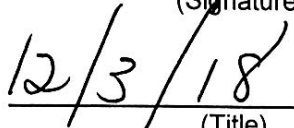
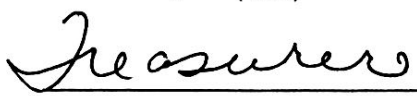
**FINDING 2016-007**

The purchasing policy was a timing issue; it was corrected almost immediately after the last audit.

**Finding 2016-008**

Condition

The Title I Director has stated that he will comprise a comprehensive needs assessment, a comprehensive plan and an evaluation of the school wide program at the end of the 2018-2019 school year.

  
\_\_\_\_\_  
(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/>.