

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION
JACKSON COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/26/2019

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---|--|
| Treasurer | Patsy A. Hess | 07-01-16 to 06-30-19 |
| Superintendent of Schools | Greg Walker Jade W. Peters (interim) | 01-01-15 to 09-30-18 10-01-18 to 06-30-19 |
| President of the School Board | Mary Ann S. Spray | 01-01-16 to 12-31-19 |



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION, JACKSON COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Brownstown Central Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, 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, 2016 to June 30, 2018.

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, 2016 to June 30, 2018, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 20, 2019, 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

February 20, 2019



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302 WEST WASHINGTON STREET
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Telephone: (317) 232-2513
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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 BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION, JACKSON 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 Brownstown Central Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated February 20, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, that we consider to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2018-002.

Brownstown Central 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

February 20, 2019

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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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BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2017 and 2018

| Fund | Cash and Investments 07-01-16 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-17 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-18 |
|--|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| General | \$ 1,390,003 | \$ 10,366,275 | \$ 10,432,537 | \$ - | \$ 1,323,741 | \$ 10,475,547 | \$ 10,275,071 | \$ - | \$ 1,524,217 |
| Debt Service | 359,642 | 1,294,973 | 1,014,500 | - | 640,115 | 1,326,049 | 1,341,512 | (16,826) | 607,826 |
| Capital Projects | 317,036 | 1,593,202 | 1,588,951 | (34,000) | 287,287 | 1,725,009 | 1,483,979 | (131,087) | 397,230 |
| School Transportation | 561,996 | 1,017,345 | 953,363 | - | 625,978 | 1,057,059 | 937,684 | (3,910) | 741,443 |
| School Bus Replacement | 655,559 | 298,118 | 361,910 | - | 591,767 | 315,415 | 301,073 | (1,230) | 604,879 |
| Rainy Day | 1,966,553 | - | 200,503 | 34,000 | 1,800,050 | - | 105,000 | 125,000 | 1,820,050 |
| Construction | 37,194 | 1,447 | 38,267 | - | 374 | - | 374 | - | - |
| Construction Fund - BCHS | 29,106 | - | 29,106 | - | - | - | - | - | - |
| School Lunch | 130,013 | 718,566 | 746,069 | - | 102,500 | 734,478 | 751,489 | - | 85,489 |
| Textbook Rental | 200,675 | 133,664 | 81,275 | - | 253,064 | 143,692 | 149,051 | - | 247,705 |
| Levy Excess | - | - | - | - | - | - | - | 28,053 | 28,053 |
| Educational License Plates | 2,194 | - | - | - | 2,194 | - | - | - | 2,194 |
| Alternative Education | 1,708 | - | - | - | 1,708 | - | - | - | 1,708 |
| SAFE School Haven | - | - | - | - | - | 15,750 | 15,750 | - | - |
| Early Intervention Grant | 1,500 | - | - | - | 1,500 | - | - | - | 1,500 |
| Comprehensive Counseling Grant | - | 28,500 | 11,954 | - | 16,546 | - | 9,859 | - | 6,687 |
| I-Grad JCIDC | - | - | - | - | - | 3,813 | 5,726 | - | (1,913) |
| Shake Scholarship Fund | 33,223 | 216 | 200 | - | 33,239 | 216 | 200 | - | 33,255 |
| Btown Health Cen. Scholarship | 31,340 | 293 | 500 | - | 31,133 | 342 | 500 | - | 30,975 |
| Dennis & Nancy Sterling | - | - | - | - | - | 1,437 | - | - | 1,437 |
| 125 Reimbursement Refund Fund | 994 | 722 | 1,033 | - | 683 | 976 | 976 | - | 683 |
| Universal Service Fund | 36,991 | 19,746 | 20,771 | - | 35,966 | 7,976 | 10,258 | - | 33,684 |
| Formative Assessment | - | 19,957 | 19,957 | - | - | 16,134 | 16,134 | - | - |
| G/T 2014-2015 | - | 32,625 | 244 | - | 32,381 | - | 32,381 | - | - |
| G/T 2015-2016 | 29,940 | - | 29,940 | - | - | 32,725 | 801 | - | 31,924 |
| Drug Free Communities | 2,000 | - | 2,000 | - | - | 2,583 | 368 | - | 2,215 |
| School Technology | 16,418 | 8,468 | - | - | 24,886 | 11,010 | - | - | 35,896 |
| Career and Technical Performance Grant | - | 4,995 | 2,466 | - | 2,529 | 3,059 | - | - | 5,588 |
| Performance Based Awards | - | 64,254 | 64,254 | - | - | 47,602 | 47,602 | - | - |
| Pepsi Agreement | 15,088 | 11,000 | 25,077 | - | 1,011 | 11,000 | - | - | 12,011 |
| Ind. Dept. of Homeland Security | - | 30,150 | 30,150 | - | - | - | - | - | - |
| College GO! Grant | - | - | - | - | - | 1,000 | - | - | 1,000 |
| Monsato Fund Grant | 161 | - | 161 | - | - | - | - | - | - |
| Title I 2016-2017 | - | 138,387 | 148,976 | - | (10,589) | 73,657 | 63,014 | (54) | - |
| Title I 2015-2016 | (19,955) | 22,372 | 2,417 | - | - | 162,676 | 192,946 | 54 | (30,216) |
| Title I, Pt. D. 2016-17 | - | 43,195 | 43,306 | - | (111) | 72,764 | 71,708 | 354 | 1,299 |
| Title I Juvenile Home 2015-2016 | (4,351) | 28,175 | 23,824 | - | - | 20,837 | 20,483 | (354) | - |
| Improving Teacher Quality, No Child Left, Title II, Part A | (5,279) | 25,375 | 20,096 | - | - | 48,787 | 60,265 | 664 | (10,814) |
| Title II, Pt. A | - | 43,068 | 45,499 | - | (2,431) | 29,331 | 26,236 | (664) | - |
| Payroll Withholding | 4,099 | 3,032,266 | 3,060,566 | - | (24,201) | 3,011,187 | 3,054,444 | - | (67,458) |
| Totals | \$ 5,793,848 | \$ 18,977,344 | \$ 18,999,872 | \$ - | \$ 5,771,320 | \$ 19,352,111 | \$ 18,974,884 | \$ - | \$ 6,148,547 |

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

BROWNSTOWN CENTRAL 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.

BROWNSTOWN CENTRAL 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.

BROWNSTOWN CENTRAL 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.

BROWNSTOWN CENTRAL 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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2017 and 2018, respectively. The deficits in cash for the Payroll Withholding fund is a result of the timing difference between the payment of health insurance premiums and payroll withholdings from employees, along with uncorrected errors.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporations*

The School Corporation has entered into a capital lease with the Brownstown District School Building Corp. and the Brownstown MS Bldg. Corp. (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related-parties of the School Corporation. Lease payments during the years 2017 and 2018 totaled \$1,014,500 and \$1,336,170, respectively.

Note 9. *Other Postemployment Benefits*

The School Corporation provides medical benefits to eligible retirees and their spouses. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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OTHER INFORMATION - UNAUDITED

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

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

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | General | Debt Service | Capital Projects | School Transportation | School Bus Replacement | Rainy Day | Construction |
|---|--------------|--------------|------------------|-----------------------|------------------------|--------------|--------------|
| Cash and investments - beginning | \$ 1,390,003 | \$ 359,642 | \$ 317,036 | \$ 561,996 | \$ 655,559 | \$ 1,966,553 | \$ 37,194 |
| Receipts: | | | | | | | |
| Local sources | 171,401 | 1,294,973 | 1,593,202 | 1,010,042 | 298,118 | - | 1,447 |
| Intermediate sources | 122 | - | - | - | - | - | - |
| State sources | 10,194,752 | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other receipts | - | - | - | 7,303 | - | - | - |
| Total receipts | 10,366,275 | 1,294,973 | 1,593,202 | 1,017,345 | 298,118 | - | 1,447 |
| Disbursements: | | | | | | | |
| Instruction | 7,459,600 | - | - | - | - | 196,125 | - |
| Support services | 2,735,310 | - | 508,946 | 953,363 | 361,910 | 4,378 | - |
| Noninstructional services | 237,627 | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | 1,080,005 | - | - | - | 38,267 |
| Debt service | - | 1,014,500 | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Total disbursements | 10,432,537 | 1,014,500 | 1,588,951 | 953,363 | 361,910 | 200,503 | 38,267 |
| Excess (deficiency) of receipts over disbursements | (66,262) | 280,473 | 4,251 | 63,982 | (63,792) | (200,503) | (36,820) |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | - | - | - | 34,000 | - |
| Transfers out | - | - | (34,000) | - | - | - | - |
| Total other financing sources (uses) | - | - | (34,000) | - | - | 34,000 | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (66,262) | 280,473 | (29,749) | 63,982 | (63,792) | (166,503) | (36,820) |
| Cash and investments - ending | \$ 1,323,741 | \$ 640,115 | \$ 287,287 | \$ 625,978 | \$ 591,767 | \$ 1,800,050 | \$ 374 |

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Constuction Fund - BCHS | School Lunch | Textbook Rental | Levy Excess | Educational License Plates | Alternative Education | SAFE School Haven |
|---|-------------------------------|-----------------|--------------------|----------------|----------------------------------|--------------------------|-------------------------|
| Cash and investments - beginning | \$ 29,106 | \$ 130,013 | \$ 200,675 | \$ - | \$ 2,194 | \$ 1,708 | \$ - |
| Receipts: | | | | | | | |
| Local sources | - | 710,389 | 133,664 | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | 8,167 | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - |
| Total receipts | - | 718,556 | 133,664 | - | - | - | - |
| Disbursements: | | | | | | | |
| Instruction | - | - | - | - | - | - | - |
| Support services | - | - | 81,275 | - | - | - | - |
| Noninstructional services | - | 746,069 | - | - | - | - | - |
| Facilities acquisition and construction | 29,106 | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Total disbursements | 29,106 | 746,069 | 81,275 | - | - | - | - |
| Excess (deficiency) of receipts over disbursements | (29,106) | (27,513) | 52,389 | - | - | - | - |
| 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 | (29,106) | (27,513) | 52,389 | - | - | - | - |
| Cash and investments - ending | \$ - | \$ 102,500 | \$ 253,064 | \$ - | \$ 2,194 | \$ 1,708 | \$ - |

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Early Intervention Grant | Comprehensive Counseling Grant | I-Grad JCIDC | Shake Scholarship Fund | Btown Health Cen. Scholarship | Dennis & Nancy Sterling | 125 Reimbursement Refund Fund |
|---|--------------------------------|--------------------------------------|-----------------|------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| Cash and investments - beginning | \$ 1,500 | \$ - | \$ - | \$ 33,223 | \$ 31,340 | \$ - | \$ 994 |
| Receipts: | | | | | | | |
| Local sources | - | 28,500 | - | 216 | 293 | - | 722 |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - |
| Total receipts | - | 28,500 | - | 216 | 293 | - | 722 |
| Disbursements: | | | | | | | |
| Instruction | - | - | - | - | - | - | - |
| Support services | - | 11,954 | - | - | - | - | 1,033 |
| Noninstructional services | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | 200 | 500 | - | - |
| Total disbursements | - | 11,954 | - | 200 | 500 | - | 1,033 |
| Excess (deficiency) of receipts over disbursements | - | 16,546 | - | 16 | (207) | - | (311) |
| 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 | - | 16,546 | - | 16 | (207) | - | (311) |
| Cash and investments - ending | \$ 1,500 | \$ 16,546 | \$ - | \$ 33,239 | \$ 31,133 | \$ - | \$ 683 |

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Universal Service Fund | Formative Assessment | G/T 2014-2015 | G/T 2015-2016 | Drug Free Communities | School Technology | Career and Technical Performance Grant |
|---|------------------------------|-------------------------|------------------|------------------|-----------------------------|----------------------|---|
| Cash and investments - beginning | \$ 36,991 | \$ - | \$ - | \$ 29,940 | \$ 2,000 | \$ 16,418 | \$ - |
| Receipts: | | | | | | | |
| Local sources | 19,746 | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | 19,957 | 32,625 | - | - | 8,468 | 4,995 |
| Federal sources | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - |
| Total receipts | 19,746 | 19,957 | 32,625 | - | - | 8,468 | 4,995 |
| Disbursements: | | | | | | | |
| Instruction | - | - | 244 | 29,940 | - | - | - |
| Support services | 20,771 | 19,957 | - | - | 2,000 | - | 2,466 |
| Noninstructional services | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Total disbursements | 20,771 | 19,957 | 244 | 29,940 | 2,000 | - | 2,466 |
| Excess (deficiency) of receipts over disbursements | (1,025) | - | 32,381 | (29,940) | (2,000) | 8,468 | 2,529 |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (1,025) | - | 32,381 | (29,940) | (2,000) | 8,468 | 2,529 |
| Cash and investments - ending | \$ 35,966 | \$ - | \$ 32,381 | \$ - | \$ - | \$ 24,886 | \$ 2,529 |

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Performance Based Awards | Pepsi Agreement | Ind. Dep. of Homeland Security | College GO! Grant | Monsato Fund Grant | Title I 2016-2017 | Title I 2015-2016 |
|---|--------------------------------|--------------------|--------------------------------------|-------------------------|-----------------------|----------------------|----------------------|
| Cash and investments - beginning | \$ - | \$ 15,088 | \$ - | \$ - | \$ 161 | \$ - | \$ (19,955) |
| Receipts: | | | | | | | |
| Local sources | - | 11,000 | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | 64,254 | - | 30,150 | - | - | - | - |
| Federal sources | - | - | - | - | - | 138,387 | 22,372 |
| Other receipts | - | - | - | - | - | - | - |
| Total receipts | 64,254 | 11,000 | 30,150 | - | - | 138,387 | 22,372 |
| Disbursements: | | | | | | | |
| Instruction | - | - | - | - | 161 | 148,976 | 2,417 |
| Support services | 64,254 | - | 30,150 | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | 25,077 | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Total disbursements | 64,254 | 25,077 | 30,150 | - | 161 | 148,976 | 2,417 |
| Excess (deficiency) of receipts over disbursements | - | (14,077) | - | - | (161) | (10,589) | 19,955 |
| 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 | - | (14,077) | - | - | (161) | (10,589) | 19,955 |
| Cash and investments - ending | \$ - | \$ 1,011 | \$ - | \$ - | \$ - | \$ (10,589) | \$ - |

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Title I, Pt. D. 2016-17 | Title I Juvenile Home 2015-2016 | Improving Teacher Quality, No Child Left, Title II, Part A | Title II, Pt. A | Payroll Withholding | Totals |
|---|-------------------------------|---------------------------------------|---|--------------------|------------------------|--------------|
| Cash and investments - beginning | \$ - | \$ (4,351) | \$ (5,279) | \$ - | \$ 4,099 | \$ 5,793,848 |
| Receipts: | | | | | | |
| Local sources | - | - | - | - | - | 5,273,713 |
| Intermediate sources | - | - | - | - | - | 122 |
| State sources | - | - | - | - | - | 10,363,368 |
| Federal sources | 43,195 | 28,175 | 25,375 | 43,068 | - | 300,572 |
| Other receipts | - | - | - | - | 3,032,266 | 3,039,569 |
| Total receipts | 43,195 | 28,175 | 25,375 | 43,068 | 3,032,266 | 18,977,344 |
| Disbursements: | | | | | | |
| Instruction | 43,306 | 23,824 | 19,305 | 45,361 | - | 7,969,259 |
| Support services | - | - | 791 | 138 | - | 4,798,696 |
| Noninstructional services | - | - | - | - | - | 983,696 |
| Facilities acquisition and construction | - | - | - | - | - | 1,172,455 |
| Debt service | - | - | - | - | - | 1,014,500 |
| Nonprogrammed charges | - | - | - | - | 3,060,566 | 3,061,266 |
| Total disbursements | 43,306 | 23,824 | 20,096 | 45,499 | 3,060,566 | 18,999,872 |
| Excess (deficiency) of receipts over disbursements | (111) | 4,351 | 5,279 | (2,431) | (28,300) | (22,528) |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | - | - | 34,000 |
| Transfers out | - | - | - | - | - | (34,000) |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (111) | 4,351 | 5,279 | (2,431) | (28,300) | (22,528) |
| Cash and investments - ending | \$ (111) | \$ - | \$ - | \$ (2,431) | \$ (24,201) | \$ 5,771,320 |

BROWNSTOWN CENTRAL 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, 2018

| | General | Debt Service | Capital Projects | School Transportation | School Bus Replacement | Rainy Day | Construction |
|---|--------------|--------------|------------------|-----------------------|------------------------|--------------|--------------|
| Cash and investments - beginning | \$ 1,323,741 | \$ 640,115 | \$ 287,287 | \$ 625,978 | \$ 591,767 | \$ 1,800,050 | \$ 374 |
| Receipts: | | | | | | | |
| Local sources | 236,240 | 1,326,049 | 1,725,009 | 1,055,407 | 315,415 | - | - |
| Intermediate sources | 105 | - | - | - | - | - | - |
| State sources | 10,239,202 | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other receipts | - | - | - | 1,652 | - | - | - |
| Total receipts | 10,475,547 | 1,326,049 | 1,725,009 | 1,057,059 | 315,415 | - | - |
| Disbursements: | | | | | | | |
| Instruction | 7,222,392 | - | - | - | - | 105,000 | - |
| Support services | 2,774,112 | - | 566,113 | 937,684 | 301,073 | - | - |
| Noninstructional services | 278,567 | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | 917,866 | - | - | - | 374 |
| Debt service | - | 1,336,170 | - | - | - | - | - |
| Nonprogrammed charges | - | 5,342 | - | - | - | - | - |
| Total disbursements | 10,275,071 | 1,341,512 | 1,483,979 | 937,684 | 301,073 | 105,000 | 374 |
| Excess (deficiency) of receipts over disbursements | 200,476 | (15,463) | 241,030 | 119,375 | 14,342 | (105,000) | (374) |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | - | - | - | 125,000 | - |
| Transfers out | - | (16,826) | (131,087) | (3,910) | (1,230) | - | - |
| Total other financing sources (uses) | - | (16,826) | (131,087) | (3,910) | (1,230) | 125,000 | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 200,476 | (32,289) | 109,943 | 115,465 | 13,112 | 20,000 | (374) |
| Cash and investments - ending | \$ 1,524,217 | \$ 607,826 | \$ 397,230 | \$ 741,443 | \$ 604,879 | \$ 1,820,050 | \$ - |

BROWNSTOWN CENTRAL 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, 2018

| | Constuction Fund - BCHS | School Lunch | Textbook Rental | Levy Excess | Educational License Plates | Alternative Education | SAFE School Haven |
|---|-------------------------------|-----------------|--------------------|----------------|----------------------------------|--------------------------|-------------------------|
| Cash and investments - beginning | \$ - | \$ 102,500 | \$ 253,064 | \$ - | \$ 2,194 | \$ 1,708 | \$ - |
| Receipts: | | | | | | | |
| Local sources | - | 726,290 | 39,538 | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | 8,188 | 104,154 | - | - | - | 15,750 |
| Federal sources | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - |
| Total receipts | - | 734,478 | 143,692 | - | - | - | 15,750 |
| Disbursements: | | | | | | | |
| Instruction | - | - | - | - | - | - | - |
| Support services | - | - | 149,051 | - | - | - | 15,750 |
| Noninstructional services | - | 751,489 | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Total disbursements | - | 751,489 | 149,051 | - | - | - | 15,750 |
| Excess (deficiency) of receipts over disbursements | - | (17,011) | (5,359) | - | - | - | - |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | - | 28,053 | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | 28,053 | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (17,011) | (5,359) | 28,053 | - | - | - |
| Cash and investments - ending | \$ - | \$ 85,489 | \$ 247,705 | \$ 28,053 | \$ 2,194 | \$ 1,708 | \$ - |

BROWNSTOWN CENTRAL 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, 2018

| | Early Intervention Grant | Comprehensive Counseling Grant | I-Grad JCIDC | Shake Scholarship Fund | Btown Health Cen. Scholarship | Dennis & Nancy Sterling | 125 Reimbursement Refund Fund |
|---|--------------------------------|--------------------------------------|-----------------|------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| Cash and investments - beginning | \$ 1,500 | \$ 16,546 | \$ - | \$ 33,239 | \$ 31,133 | \$ - | \$ 683 |
| Receipts: | | | | | | | |
| Local sources | - | - | 3,813 | 216 | 342 | 1,437 | 976 |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - |
| Total receipts | - | - | 3,813 | 216 | 342 | 1,437 | 976 |
| Disbursements: | | | | | | | |
| Instruction | - | - | 5,726 | - | - | - | - |
| Support services | - | 9,859 | - | - | - | - | 976 |
| Noninstructional services | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | 200 | 500 | - | - |
| Total disbursements | - | 9,859 | 5,726 | 200 | 500 | - | 976 |
| Excess (deficiency) of receipts over disbursements | - | (9,859) | (1,913) | 16 | (158) | 1,437 | - |
| 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 | - | (9,859) | (1,913) | 16 | (158) | 1,437 | - |
| Cash and investments - ending | \$ 1,500 | \$ 6,687 | \$ (1,913) | \$ 33,255 | \$ 30,975 | \$ 1,437 | \$ 683 |

BROWNSTOWN CENTRAL 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, 2018

| | Universal Service Fund | Formative Assessment | G/T 2014-2015 | G/T 2015-2016 | Drug Free Communities | School Technology | Career and Technical Performance Grant |
|---|------------------------------|-------------------------|------------------|------------------|-----------------------------|----------------------|---|
| Cash and investments - beginning | \$ 35,966 | \$ - | \$ 32,381 | \$ - | \$ - | \$ 24,886 | \$ 2,529 |
| Receipts: | | | | | | | |
| Local sources | 7,976 | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | 16,134 | - | 32,725 | 2,583 | 11,010 | 3,059 |
| Federal sources | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - |
| Total receipts | 7,976 | 16,134 | - | 32,725 | 2,583 | 11,010 | 3,059 |
| Disbursements: | | | | | | | |
| Instruction | - | - | 32,381 | 801 | - | - | - |
| Support services | 10,258 | 16,134 | - | - | 368 | - | - |
| Noninstructional services | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Total disbursements | 10,258 | 16,134 | 32,381 | 801 | 368 | - | - |
| Excess (deficiency) of receipts over disbursements | (2,282) | - | (32,381) | 31,924 | 2,215 | 11,010 | 3,059 |
| 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 | (2,282) | - | (32,381) | 31,924 | 2,215 | 11,010 | 3,059 |
| Cash and investments - ending | \$ 33,684 | \$ - | \$ - | \$ 31,924 | \$ 2,215 | \$ 35,896 | \$ 5,588 |

BROWNSTOWN CENTRAL 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, 2018

| | Performance Based Awards | Pepsi Agreement | Ind. Dep. of Homeland Security | College GO! Grant | Monsato Fund Grant | Title I 2016-2017 | Title I 2015-2016 |
|---|--------------------------------|--------------------|--------------------------------------|-------------------------|-----------------------|----------------------|----------------------|
| Cash and investments - beginning | \$ - | \$ 1,011 | \$ - | \$ - | \$ - | \$ (10,589) | \$ - |
| Receipts: | | | | | | | |
| Local sources | - | 11,000 | - | 1,000 | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | 47,602 | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | 73,657 | 162,676 |
| Other receipts | - | - | - | - | - | - | - |
| Total receipts | 47,602 | 11,000 | - | 1,000 | - | 73,657 | 162,676 |
| Disbursements: | | | | | | | |
| Instruction | - | - | - | - | - | 56,472 | 191,197 |
| Support services | 47,602 | - | - | - | - | 6,542 | 1,749 |
| Noninstructional services | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Total disbursements | 47,602 | - | - | - | - | 63,014 | 192,946 |
| Excess (deficiency) of receipts over disbursements | - | 11,000 | - | 1,000 | - | 10,643 | (30,270) |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | - | - | - | - | 54 |
| Transfers out | - | - | - | - | - | (54) | - |
| Total other financing sources (uses) | - | - | - | - | - | (54) | 54 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | 11,000 | - | 1,000 | - | 10,589 | (30,216) |
| Cash and investments - ending | \$ - | \$ 12,011 | \$ - | \$ 1,000 | \$ - | \$ - | \$ (30,216) |

BROWNSTOWN CENTRAL 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, 2018

| | Title I, Pt. D. 2016-17 | Title I Juvenile Home 2015-2016 | Improving Teacher Quality, No Child Left, Title II, Part A | Title II, Pt. A | Payroll Withholding | Totals |
|---|-------------------------------|---------------------------------------|---|--------------------|------------------------|--------------|
| Cash and investments - beginning | \$ (111) | \$ - | \$ - | \$ (2,431) | \$ (24,201) | \$ 5,771,320 |
| Receipts: | | | | | | |
| Local sources | - | - | - | - | - | 5,450,708 |
| Intermediate sources | - | - | - | - | - | 105 |
| State sources | - | - | - | - | - | 10,480,407 |
| Federal sources | 72,764 | 20,837 | 48,787 | 29,331 | - | 408,052 |
| Other receipts | - | - | - | - | 3,011,187 | 3,012,839 |
| Total receipts | 72,764 | 20,837 | 48,787 | 29,331 | 3,011,187 | 19,352,111 |
| Disbursements: | | | | | | |
| Instruction | 71,708 | 20,483 | 60,350 | 22,156 | - | 7,788,666 |
| Support services | - | - | (85) | 4,080 | - | 4,841,266 |
| Noninstructional services | - | - | - | - | - | 1,030,056 |
| Facilities acquisition and construction | - | - | - | - | - | 918,240 |
| Debt service | - | - | - | - | - | 1,336,170 |
| Nonprogrammed charges | - | - | - | - | 3,054,444 | 3,060,486 |
| Total disbursements | 71,708 | 20,483 | 60,265 | 26,236 | 3,054,444 | 18,974,884 |
| Excess (deficiency) of receipts over disbursements | 1,056 | 354 | (11,478) | 3,095 | (43,257) | 377,227 |
| Other financing sources (uses): | | | | | | |
| Transfers in | 354 | - | 664 | - | - | 154,125 |
| Transfers out | - | (354) | - | (664) | - | (154,125) |
| Total other financing sources (uses) | 354 | (354) | 664 | (664) | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 1,410 | - | (10,814) | 2,431 | (43,257) | 377,227 |
| Cash and investments - ending | \$ 1,299 | \$ - | \$ (10,814) | \$ - | \$ (67,458) | \$ 6,148,547 |

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BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2018

| <u>Government or Enterprise</u> | <u>Accounts Payable</u> | <u>Accounts Receivable</u> |
|---------------------------------|-------------------------|----------------------------|
| Governmental activities | <u>\$ 131,344</u> | <u>\$ 47,362</u> |

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2018

| Lessor | Purpose | Annual Lease Payment | Lease Beginning Date | Lease Ending Date |
|---------------------------------------|--|----------------------------|----------------------------|-------------------------|
| Governmental activities: | | | | |
| Brownstown District School Bldg Corp. | New Construction and Remodeling H.S.(2017) | \$ 274,170 | 7/15/2018 | 1/15/2037 |
| Brownstown MS Bldg. Corp. | New Construction and Remodeling (2014) | 738,500 | 3/11/2014 | 12/31/2025 |
| QSCB Brownstown Cent. Bldg. Corp. | Remodel MS & HS (2009) | 223,000 | 11/10/2009 | 1/1/2025 |
| RICOH | Copier Lease | 24,346 | 8/1/2016 | 8/1/2021 |
| RICOH | Copier Lease | 4,247 | 2/25/2016 | 5/24/2020 |
| RICOH | Copier Lease | <u>7,059</u> | 6/2/2015 | 6/1/2020 |
| Total governmental activities | | <u>1,271,322</u> | | |
| Total of annual lease payments | | <u>\$ 1,271,322</u> | | |

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

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 | \$ 1,846,000 |
| Infrastructure | 10 |
| Buildings | 21,966,215 |
| Improvements other than buildings | 265,566 |
| Machinery, equipment, and vehicles | 5,751,711 |
| Construction in progress | <u>7,496,244</u> |
| Total governmental activities | <u>37,325,746</u> |
| Total capital assets | <u><u>\$ 37,325,746</u></u> |

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION, JACKSON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Brownstown Central Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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, 2016 to June 30, 2018.

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 the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-004, 2018-005, and 2018-006. 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.


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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003, 2018-004, 2018-005, and 2018-006, that we consider to be material weaknesses.

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

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

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


Paul D. Joyce, CPA
State Examiner

February 20, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2017 and 2018

| 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 06-30-17 | Total Federal Awards Expended 06-30-18 |
|---|-------------------------------------|---------------------------|--|---|---|
| <u>Department of Agriculture</u> | | | | | |
| Child Nutrition Cluster | | | | | |
| School Breakfast Program | Indiana Department of Education | 10.553 | | | |
| School Breakfast Program | | | 3695 | \$ 55,423 | \$ 63,867 |
| National School Lunch Program | | | | | |
| National School Lunch Program | Indiana Department of Education | 10.555 | | | |
| National School Lunch Program | | | 3695 | 269,888 | 308,204 |
| National School Lunch Program - Commodities | | | 3695 | 61,951 | 55,910 |
| Total - National School Lunch Program | | | | 331,839 | 364,114 |
| Total - Child Nutrition Cluster | | | | 387,262 | 427,981 |
| Total - Department of Agriculture | | | | 387,262 | 427,981 |
| <u>Department of Education</u> | | | | | |
| Special Education Cluster (IDEA) | | | | | |
| Special Education Grants to States | | | | | |
| Special Education | Indiana Department of Education | 84.027 | | | |
| Special Education | | | 18611-047-PN01 | - | 219,075 |
| Special Education | | | 4215-049-PN01 | 64,299 | - |
| Special Education | | | 4216-049-PN01 | 103,712 | 59,378 |
| Special Education | | | 4217-049-PN01 | 187,082 | 113,283 |
| Total - Special Education Grants to States | | | | 355,093 | 391,736 |
| Special Education Preschool Grants | | | | | |
| Special Education Preschool | Indiana Department of Education | 84.173 | | | |
| Special Education Preschool | | | 18619-047-PN01 | - | 4,329 |
| Special Education Preschool | | | 45715-049-PN01 | 95 | - |
| Special Education Preschool | | | 45716-049-PN01 | 4,743 | 123 |
| Special Education Preschool | | | 45717-049-PN01 | 4,308 | 5,997 |
| Total - Special Education Preschool Grants | | | | 9,146 | 10,449 |
| Total - Special Education Cluster (IDEA) | | | | 364,239 | 402,185 |
| Title I Grants to Local Educational Agencies | | | | | |
| Title I Grants to Local Educational Agencies | Indiana Department of Education | 84.010 | | | |
| Title I Basic Delinquent Grant | | | 15-3695 | 28,175 | - |
| Title I Basic Grant | | | 15-3695 | 22,372 | - |
| Title I Basic Delinquent Grant | | | 16-3695 | 43,195 | 50,044 |
| Title I Basis Grant | | | 16-3695 | 138,387 | 73,657 |
| Title I Basic Grant | | | 17-3695 | - | 162,676 |
| Title I Basic Delinquent Grant | | | 17-3695 | - | 20,837 |
| Total - Title I Grant to Local Educational Agencies | | | | 232,129 | 307,214 |
| Supporting Effective Instruction State Grants | | | | | |
| Supporting Effective Instruction State Grants | Indiana Department of Education | 84.367 | | | |
| Title II Pt. A: 140013 | | | 14-3695 | 25,375 | - |
| Title II Pt. A: 150013 | | | 15-3695 | 43,068 | 48,787 |
| Title II Pt. A: 160013 | | | 16-3695 | - | 29,331 |
| Total - Supporting Effective Instruction State Grants | | | | 68,443 | 78,118 |
| Total - Department of Education | | | | 965,383 | 1,172,849 |
| Total federal awards expended | | | | \$ 1,052,073 | \$ 1,215,498 |

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

BROWNSTOWN CENTRAL 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, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of the Orange-Lawrence-Jackson-Martin-Greene Joint Services Special Education Cooperative (Cooperative). The Cooperative operates the special education programs for the Brownstown Central Community School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement of the School Corporation. This activity is reported on the financial statement of the Cooperative.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

| | |
|--|---|
| Type of auditor's report issued: | Adverse as to GAAP; Unmodified as to Regulatory Basis |
| Internal control over financial reporting: | |
| Material weaknesses identified? | yes |
| Significant 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 |
| Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? | yes |

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

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

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

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

Section II - Financial Statement Findings

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit report.

Condition

The School Corporation had not established or properly implemented an internal control system related to receipts, disbursements, and cash and investments of the School Lunch fund. An evaluation of the School Corporation's system of internal control had not been conducted. Management had not conducted risk assessment related to the School Corporation's financial transactions and reporting.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts, disbursements, and cash and investments of the School Lunch fund. One individual was responsible for performing the reconciliation of the depository account balance with the record balance, preparing and making bank deposits, reconciling daily cash collections, recording receipt and disbursements transactions in the ledger, and preparing the financial information of the School Lunch fund for the Form 9.
2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires the School to monitor and assess the quality of the system of internal control.

Context

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

Criteria

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

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

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

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

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish a system of internal controls could enable misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Recommendation

We recommended that the School Corporation establish a system of internal controls related to financial transactions and reporting for the School Lunch fund.

Views of Responsible Officials

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

FINDING 2018-002

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

Repeat Finding

This is a repeat of Finding 2016-002 from the immediately prior audit report.

Condition

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. One employee prepared the federal award information entered into Gateway and another employee reviewed and approved the information to ensure its accuracy before submission; however, the control was ineffective and the SEFA contained errors that went undetected.

Context

The SEFA contained the following errors:

1. The Child Nutrition Cluster expenditures in the amount of \$427,981 were omitted in fiscal year 2018.
2. The Title I Grants to Local Educational Agencies expenditures in the amount of \$22,720 were understated in fiscal year 2018.

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

Without a proper system of internal controls 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.

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): 3695

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-003.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

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

Cash Management

Management of the School Corporation had not established documented controls to ensure the School Lunch fund net cash resources did not exceed the three months average expenditures.

Eligibility

The School Corporation had not designed or implemented an effective internal control system to ensure that free and reduced price meal applications were accurately evaluated for eligibility. The application information was entered into the food service software, which automatically made the eligibility determination dependent on the information entered. There was no oversight or review to ensure the information entered into the food service software was accurate.

Reporting

The School Corporation had not designed or implemented an effective internal control system to ensure that the Annual Financial Reports, School Food Authority (SFA) Verification Collection Reports, and monthly Sponsor Claim (claim for reimbursement) were accurate, prior to submission. One person prepared and submitted the reports. There was no segregation of duties, such as oversight, review, or approval process over the submitted reports.

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

There was no documentation of an oversight or review process over the School Corporation's reverification of free and reduced price applications, selected from a sample of applications that were approved for free and reduced price meals.

Special Tests and Provisions - School Food Accounts

The School Corporation had not established an effective internal control system over the verification of all revenue generated by the school food service to ensure that it was used to operate and improve its food services. One individual was responsible for recording the School Lunch fund financial transactions and performing the reconciliation of the school lunch depository account balance with the record balance.

Special Tests and Provisions - Paid Lunch Equity

The School Corporation had not established an effective internal control system over the verification of the proper calculation and submission of paid lunch equity calculations to the Indiana Department of Education (IDOE). One employee prepared and submitted the paid lunch equity calculations to the IDOE.

Context

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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). . . ."

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 an internal control system related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2018-004

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3695
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

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

A portion of the High School Principal's salary was paid from the School Lunch fund for duties performed as the Food Service Director. There were no time records to support the amounts charged to the lunch program. Disbursements in the amount of \$20,463 and \$41,476 were charged to the School Lunch fund in fiscal year 2017 and fiscal year 2018, respectively.

Context

The lack of controls and noncompliance were systemic issues, which 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 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; . . .
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed a system of internal controls to ensure documentation of personnel expenses charged to the lunch program were maintained.

Effect

The failure to establish an effective internal control system enabled the School Corporation to be in noncompliance with the grant agreement and Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

Known questioned costs in the amount of \$61,939 have been identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3695
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 finding from the immediately prior audit report. The prior audit finding number was 2016-003.

Condition

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

Procurement

The School Corporation had not established an effective internal control system to ensure that the purchasing methods used were in compliance with the applicable local, state, and federal requirements.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation did not present evidence that an adequate number of quotes were obtained and maintained for audit, under the small purchases method.

Suspension and Debarment

The School Corporation had not established an effective internal control system to ensure compliance with suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

The School Corporation did not comply with the suspension and debarment requirements during the audit period. They did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a covered transaction or contract.

Context

The lack of controls and the noncompliance were systemic issues 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 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.320 states in part:

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

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

2 CFR 180.300 states:

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

You do this by:

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

Cause

The School Corporation did not establish an effective internal control system to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2018-006

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3695
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-003.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement. The School Corporation had not implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records.

The School Corporation did not comply with program income requirements. All food service collections were posted directly to a School Lunch fund with no segregation between what constituted program income and monies placed on student accounts. A School Lunch Clearing Account (8400) was not maintained by the School Corporation.

Context

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

7 CFR 210.14(c) states:

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

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

7 CFR 220.7(e) states in part:

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

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The School Corporation had not designed or implemented an effective internal control system to ensure compliance with the grant agreement and the Program Income compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Program Income 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 a system of internal controls related to the grant agreement and the Program Income compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

BROWNSTOWN CENTRAL HIGH SCHOOL

500 North Elm Street
Brownstown, Indiana 47220

Joseph Sheffer
Principal
(812) 358-3453



Mark DeHart
Assistant Principal
Athletic Director
(812) 358-3453

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding initially occurred: FY 14-15 and FY 15-16
Contact Person Responsible for Corrective Action: Kayia Davis/Joe Sheffer
Contact Phone Number: 812-358-3453

Status of Audit Finding:

Brownstown Central High School, Brownstown Central Middle School, and Brownstown Elementary each have one person that enters lunch money into the students' accounts. A daily Bank Deposit Report is printed to verify that the deposit is correct. A second person verifies that the deposit is correct. Both individuals sign or initial the report as proof of review. All deposits are brought to the Lunch Fund Treasurer for review. The treasurer then takes the deposit to the bank. Practice implemented August 2018.

The Lunch Fund Treasurer prepares all financial reports. The reports are submitted to the Food Service Coordinator for approval. Both individuals sign reports before passing them to the School Board or Corporation Treasurer.

Kayia Davis
(Signature)

Lunch Fund Treasurer
(Title)

1-18-19
(Date)

Brownstown Central Community School Corporation

608 W. Commerce Street • Brownstown, IN 47220 • Telephone 812-358-4271 • Fax 812-358-5303

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-002 Preparation of the Schedule of Expenditures of Federal Awards

Fiscal year in which the finding initially occurred: FY 14-15 and FY 15-16
Contact Person Responsible for Corrective Action: Patsy Hess, Treasurer
Contact Phone Number: 812-358-4272

Status of Audit Finding:

Internal Controls were established to help prevent, detect and correct errors on the Schedule of Expenditures of Federal Awards.

The Corporation Treasurer is working with department heads to prepare the SEFA on Gateway. The Corporation Treasurer is supplying the Business Manager with all information available in order to approve and verify the accuracy of the information and amounts on Gateway.

The Corporation Treasurer is keeping a list of all Federal programs received including the names of the pass-through entity and identifying numbers and CFDA number or other identifying numbers.

Practice implemented May, 2018

Patsy Hess
(Signature)

Treasurer
(Title)

1-7-19

BROWNSTOWN CENTRAL HIGH SCHOOL
500 North Elm Street
Brownstown, Indiana 47220

Joseph Sheffer
Principal
(812) 358-3453



Mark DeHart
Assistant Principal
Athletic Director
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-003 Child Nutrition Cluster – Internal Controls

Fiscal year in which the finding initially occurred: FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kayia Davis / Joe Sheffer
Contact Phone Number: 812-358-3453

Status of Audit Finding:

The Lunch Fund Treasurer completes all monthly and annual reports. The Food Service Coordinator then reviews reports to assure information is correct. The Lunch Fund Treasurer and Food Service Coordinator then initial or sign reports as proof of review. Practice implemented June 2018.

The Lunch Fund Treasurer reviews and enters all Free and Reduced Applications into the food service software. The Food Service Coordinator then verifies that the information and determination is accurate. The Lunch Fund Treasurer signs and dates the application. The Food Service Coordinator initials the application upon approval. Practice implemented August 2018.

The Food Service Coordinator recommended the school board to renew the HPS membership. HPS provided BCCSC with documentation verifying no vendors had been suspended or debarred. Practice implemented June 2018.

Kayia Davis
(Signature)

Lunch Fund Treasurer
(Title)

1-18-19
(Date)

Brownstown Central Community School Corporation

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-004 Title I Grants to Local Educational Agencies – Internal Controls

Fiscal year in which the finding initially occurred: FY 14-15 and FY 15-16

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Chrystal Street, Elementary Principal and Title I Director

Contact Phone Number: 812-358-3680

Status of Audit Finding:

The Title 1 Director verifies all information submitted to the Technology Technician in order for the real time report to be submitted for Title 1. The Title 1 Director and Technology Technician work collaboratively to correct any errors. The Superintendent (or Interim Superintendent) verifies all Federal Grants expenditures and reimbursements by the Corporation Treasurer to void substantial risk of invalid transactions. Practice implemented in February 2018.

Chrystal Street
(Signature)

Title I Director / Principal
(Title)

1.7.19
(Date)

BROWNSTOWN CENTRAL HIGH SCHOOL

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We would like to open with a general statement concerning the repeated nature of a number of these audit findings. Due to the delay in the audit process in the State of Indiana, the period of July 1, 2014 to June 30, 2016 was not audited until February 2018. Many corrective actions were implemented at that time, however were not in place during the period of July 1, 2016 to June 30, 2018.

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Kayia Davis/Joe Sheffer
Contact Phone Number: 812-358-3453

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Segregation of Duties: The school corporation has introduced segregation of duties to all financial transactions. At least two employees will prepare and review the receipts, disbursements, and cash and investments of the School Lunch Fund. Both individuals will sign or initial these documents as proof of review.

The lunch secretary will enter the money into the students' Harmony accounts at the elementary and middle schools. They will then print a Bank Deposit Report containing a list of money entered into the accounts and prepare the deposit. The lunch secretary and a second individual will sign or initial the report as verification that the deposit and report balance. The deposit is then brought to the Lunch Fund Treasurer to be taken to the bank. There is a similar process for the high school. The lunch cashier will enter the money into the Harmony accounts. She will then prepare a Cash Drawer Tally Sheet before bringing the money to the Lunch Fund Treasurer. The Treasurer will print the Bank Deposit Report and prepare the deposit. Upon completion of the deposit, a copy of the bank's deposit receipt will then be attached to the bank deposit report.

Monitoring of Controls: The Lunch Fund Treasurer will prepare financial reports, sign as the person preparing, and submit them to the Food Service Coordinator. The Food Service Coordinator will review and sign indicating approval of the report before passing the information to the School Board and/or Corporation Treasurer.

Anticipated Completion Date: Immediate

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Mark DeHart
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Athletic Director
(812) 358-3453

FINDING 2018-003

Contact Person Responsible for Corrective Action: Kayia Davis/Joe Sheffer
Contact Phone Number: 812-358-3453

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Cash Management: The Lunch Fund Treasurer prepares the monthly board report. The Lunch Fund Treasurer and the Food Service Coordinator will review and sign this statement to verify the three month average does not exceed the maximum allowable for a non-profit entity.

Eligibility: The Lunch Fund Treasurer will review and enter the application information into the food service software, Harmony. A second person will then verify that the information and determination is accurate. Once the application is verified, that person will initial as proof of review.

Reporting: This is in reference to the Annual Financial Reports, School Food Authority Verification Collection Reports, and monthly Sponsor Claim for Reimbursement forms. The Lunch Fund Treasurer will prepare all reports, then send to the Food Service Coordinator for review. The Lunch Fund Treasurer and the Food Service Coordinator will sign as proof of review.

Verification of Free and Reduced Price Applications: The Lunch Fund Treasurer will conduct the verification process. The Food Service Coordinator will review applications pulled for verification prior to letters being sent home. The Food Service Coordinator will sign the application as proof of review.

School Food Account: Monthly financial reports and supporting documentation will be submitted to the Food Service Coordinator for review. The Treasurer and Food Service Coordinator will sign as proof of review.

Paid Lunch Equity: The Lunch Fund Treasurer will prepare the report and submit to the Food Service Coordinator for review. The Treasurer and the Food Service Coordinator will sign as proof of review.

Anticipated Completion Date: Immediate

BROWNSTOWN CENTRAL HIGH SCHOOL

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Principal
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Mark DeHart
Assistant Principal
Athletic Director
(812) 358-3453

FINDING 2018-005

Contact Person Responsible for Corrective Action: Kayia Davis/Joe Sheffer
Contact Phone Number: 812-358-3453

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Procurement: The school corporation is working to establish a system of internal controls pertaining to the Procurement and Suspension and Debarment compliance requirement. The school corporation will strive, to the best of their ability, to follow the procurement requirements.

Suspension and Debarment: The Lunch Fund Treasurer will conduct a SAM search to ensure that the proposed vendor is not suspended or debarred and is eligible to participate in federally funded programs. Should the vendor be suspended or debarred, a contract will not be awarded. A copy will be kept in the Food Service Department. The Lunch Fund Treasurer and Food Service Coordinator will sign as proof of review.

Anticipated Completion Date: Immediate

Kayia Davis
(Signature)

Lunch Fund Treasurer
(Title)

2-12-19
(Date)

Brownstown Central Community School Corporation

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CORRECTIVE ACTION PLAN

Finding 2018-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Patsy Hess, Treasurer
Contact Phone Number: 812-358-4271

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Internal controls established to insure a proper system is in place to prevent, detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA).

1. The Corporation Treasurer will work with department heads to prepare the SEFA on Gateway. The Corporation Treasurer will supply the Business Manager with all information available in order to approve and verify the accuracy of the information and amounts on Gateway.
2. Corporation Treasurer will keep a list of all Federal programs received including the name of the pass-through entity and identifying numbers and CFDA number or other identifying number when the CFDA information is not available.

Anticipated Completion Date: March 1, 2019

Patsy Hess
(Signature)
Treasurer
(Title)
2.11.19
(Date)

Brownstown Central Community School Corporation

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CORRECTIVE ACTION PLAN

Finding 2018-004 –CHILD NUTRITION CLUSTER –ALLOWABLE COSTS/COST PRINCIPALS

Contact Person Responsible for Corrective Action: Patsy Hess, Treasurer

Contact Phone Number: 812-358-4271

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

We are currently re-evaluating our Principal's job duties and titles. During this evaluation time we have removed the one-third of the pay from the School Lunch Fund. We will continue to monitor the time spent in the cafeteria to make future decisions. If it is determined that we start paying a percentage again out of the School Lunch Fund, we will implement a PARS report to log the time.

Anticipated Completion Date: February 11, 2019

Patsy Hess
(Signature)
Treasurer
(Title)
2-11-19
(Date)

Brownstown Central Community School Corporation

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CORRECTIVE ACTION PLAN

Finding 2018-006 –CHILD NUTRITION CLUSTER –PROGRAM INCOME

Contact Person Responsible for Corrective Action: Patsy Hess, Treasurer

Contact Phone Number: 812-358-4271

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

We have set up a clearing account with the fund number 8400. When a student brings in a deposit, the receipt will be recorded to fund 8400 using receipt account number 1630. Periodically, after a student has charged meals, we will disburse the amount charged from 8400 using expenditure account 31900 and receipt in into fund 800 using receipt accounts 1611-1623. On a monthly basis the balance of the 8400 fund will be reconciled with the total of the individual meal accounts.

Anticipated Completion Date: July 1, 2019

Patsy Hess
(Signature)

Treasurer
(Title)

2-11-19
(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/>.