

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

DELPHI COMMUNITY SCHOOL CORPORATION
CARROLL COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Debbie Speckman	07-01-16 to 10-10-16
	Gayla Martin	10-11-16 to 02-26-17
	Allison J. Everett	02-27-17 to 06-30-19
Superintendent of Schools	Gregory G. Briles	07-01-16 to 06-30-19
President of the School Board	William Trueblood	07-01-16 to 12-31-16
	Kirk Schwartzkopf	01-01-17 to 12-31-17
	Steve Myer	01-01-18 to 12-31-18
	Neal E. Anderson	01-01-19 to 12-31-19



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE DELPHI COMMUNITY SCHOOL
CORPORATION, CARROLL COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Delphi 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 and the Schedule of Leases and Debt, 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 28, 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 28, 2019



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AN EQUAL OPPORTUNITY EMPLOYER

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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 DELPHI COMMUNITY SCHOOL
CORPORATION, CARROLL 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 Delphi 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 28, 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 item 2018-001, that we consider to be a material weakness.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

Delphi 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 28, 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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DELPHI 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	\$ 58,127	\$ 9,304,123	\$ 9,951,611	\$ 250,000	\$ (339,361)	\$ 9,660,827	\$ 9,450,146	\$ 176,462	\$ 47,782
Debt Service	695,862	1,682,842	1,673,948	(59,712)	645,044	1,736,435	1,708,812	-	672,667
Retirement/Severance Bond Debt Service	95,416	196,846	186,027	-	106,235	202,801	189,404	-	119,632
Capital Projects	743,488	1,022,122	944,192	-	821,418	949,272	1,291,713	(54,089)	424,888
School Transportation	575,645	1,501,645	1,394,977	-	682,313	1,567,423	1,577,814	(252,748)	419,174
School Bus Replacement	191,694	104,608	134,921	-	161,381	108,114	191,572	-	77,923
Rainy Day	906,770	-	-	(250,000)	656,770	300	397,074	205,093	465,089
Construction	-	-	-	-	-	-	750,233	1,500,000	749,767
GO Bond 2015	83,480	-	83,480	-	-	-	-	-	-
Go Bond 2016	-	-	363,436	1,686,060	1,322,624	-	1,322,624	-	-
School Lunch	114,337	722,670	814,114	-	22,893	874,489	832,953	(74,718)	(10,289)
Textbook Rental	168,003	182,830	183,905	59,712	226,640	233,766	149,680	-	310,726
Educational License Plates	131	-	-	-	131	-	131	-	-
Alternative Education	-	26,448	-	-	26,448	24,658	30,406	-	20,700
Early Intervention Grant	-	6,502	3,224	-	3,278	-	1,438	-	1,840
School Intervention and Career Counseling	-	-	-	-	-	-	-	-	-
Lilly Grant- Comprehensive Counseling	-	30,000	1,197	-	28,803	-	28,747	-	56
Donations & Gifts	137	-	-	-	137	-	137	-	-
Adult and Continuing Education	-	-	-	-	-	-	-	-	-
Scholarships and Awards	81,151	800	1,800	-	80,151	800	2,300	-	78,651
Student Computer Repair Fund	4,050	758	666	-	4,142	732	-	-	4,874
Secured Schools Safety Grant	(34,525)	67,891	51,405	-	(18,039)	11,303	(6,880)	-	144
Non-English Speaking Programs	(655)	10,200	13,451	-	(3,906)	14,250	15,269	-	(4,925)
State Connectivity Grant	1,164	14,992	34,647	-	(18,491)	29,684	30,127	-	(18,934)
Career and Technical Performance Grant	-	10,765	-	-	10,765	11,523	-	-	22,288
Performance Based Awards	-	-	-	-	-	-	-	-	-
Title I 2017-18	-	-	-	-	-	129,364	111,887	-	17,477
Title I 2015-16	(57,356)	57,856	500	-	-	-	-	-	-
Title I 2016-17	-	204,503	194,430	-	10,073	11,832	18,941	-	2,964
Improving Teacher Quality, No Child Left, Title II, Part A	(1,787)	12,930	13,835	-	(2,692)	31,715	35,890	-	(6,867)
Title III - English Proficiency Migrant	(7,393)	-	5,158	-	(12,551)	11,481	-	-	(1,070)
Cafeteria Clearing Fund	400	24,753	32	-	25,121	92,605	129,122	-	(11,396)
Payroll Clearing Fund	-	2,476,267	2,457,690	-	18,577	2,485,359	2,497,150	-	6,786
Totals	\$ 3,618,139	\$ 17,662,351	\$ 18,508,646	\$ 1,686,060	\$ 4,457,904	\$ 18,188,733	\$ 20,756,690	\$ 1,500,000	\$ 3,389,947

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

DELPHI 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.

DELPHI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

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.

DELPHI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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.

DELPHI 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.

DELPHI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Negative Receipts and Disbursements

The financial statement contains some receipts and disbursements which appear as negative entries. This is a result of corrections made by the new Treasurer for entries that were posted to incorrect revenue or distribution accounts. Corrections to revenue postings were posted as negative revenue in one account and positive in another account. Distribution entries were recorded similarly. Additionally, transfers to the School Lunch fund from the Cafeteria Clearing Fund during fiscal year 2016-2017 and part of 2017-2018, were posted as negative receipts within the Cafeteria Clearing Fund. This procedure was discontinued during 2017-2018.

DELPHI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This was 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. In addition, the General fund had a deficit balance as of June 30, 2017, due to disbursements exceeding receipts, and the Cafeteria Clearing Fund had a negative balance as of June 30, 2018, due to outstanding balances in student accounts. These accounts were sent to collections.

Note 9. Holding Corporation

The School Corporation has entered into a capital lease with Delphi Community Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years 2016-2017 and 2017-2018 totaled \$734,000 and \$408,000, respectively.

Note 10. Subsequent Events

A General Obligation Bond 2018 was established on August 7, 2018. The total amount borrowed for this bond was \$995,000.

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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.

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 58,127	\$ 695,862	\$ 95,416	\$ 743,488	\$ 575,645	\$ 191,694	\$ 906,770
Receipts:							
Local sources	50,767	1,682,842	196,846	1,011,249	1,497,422	104,608	-
Intermediate sources	72	-	-	-	-	-	-
State sources	9,188,753	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	64,531	-	-	10,873	4,223	-	-
Total receipts	9,304,123	1,682,842	196,846	1,022,122	1,501,645	104,608	-
Disbursements:							
Instruction	6,574,989	-	-	-	-	-	-
Support services	3,130,270	-	-	458,735	1,394,977	134,921	-
Noninstructional services	246,352	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	372,987	-	-	-
Debt service	-	1,673,948	186,027	112,470	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	9,951,611	1,673,948	186,027	944,192	1,394,977	134,921	-
Excess (deficiency) of receipts over disbursements	(647,488)	8,894	10,819	77,930	106,668	(30,313)	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	250,000	-	-	-	-	-	-
Transfers out	-	(59,712)	-	-	-	-	(250,000)
Total other financing sources (uses)	250,000	(59,712)	-	-	-	-	(250,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(397,488)	(50,818)	10,819	77,930	106,668	(30,313)	(250,000)
Cash and investments - ending	\$ (339,361)	\$ 645,044	\$ 106,235	\$ 821,418	\$ 682,313	\$ 161,381	\$ 656,770

DELPHI 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

	Construction	GO Bond 2015	GO Bond 2016	School Lunch	Textbook Rental	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ -	\$ 83,480	\$ -	\$ 114,337	\$ 168,003	\$ 131	\$ -
Receipts:							
Local sources	-	-	-	240,480	119,411	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	7,903	63,419	-	26,448
Federal sources	-	-	-	473,577	-	-	-
Other receipts	-	-	-	710	-	-	-
Total receipts	-	-	-	722,670	182,830	-	26,448
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	183,905	-	-
Noninstructional services	-	-	-	812,077	-	-	-
Facilities acquisition and construction	-	83,480	363,436	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	2,037	-	-	-
Total disbursements	-	83,480	363,436	814,114	183,905	-	-
Excess (deficiency) of receipts over disbursements	-	(83,480)	(363,436)	(91,444)	(1,075)	-	26,448
Other financing sources (uses):							
Proceeds of long-term debt	-	-	1,686,060	-	-	-	-
Transfers in	-	-	-	-	59,712	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	1,686,060	-	59,712	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(83,480)	1,322,624	(91,444)	58,637	-	26,448
Cash and investments - ending	\$ -	\$ -	\$ 1,322,624	\$ 22,893	\$ 226,640	\$ 131	\$ 26,448

DELPHI 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	School Intervention and Career Counseling	Lilly Grant- Comprehensive Counseling	Donations & Gifts	Adult and Continuing Education	Scholarships and Awards	Student Computer Repair Fund
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 137	\$ -	\$ 81,151	\$ 4,050
Receipts:							
Local sources	-	-	30,000	-	-	800	758
Intermediate sources	-	-	-	-	-	-	-
State sources	6,502	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	6,502	-	30,000	-	-	800	758
Disbursements:							
Instruction	3,224	-	-	-	-	-	-
Support services	-	-	-	-	-	-	666
Noninstructional services	-	-	1,197	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	1,800	-
Total disbursements	3,224	-	1,197	-	-	1,800	666
Excess (deficiency) of receipts over disbursements	3,278	-	28,803	-	-	(1,000)	92
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,278	-	28,803	-	-	(1,000)	92
Cash and investments - ending	\$ 3,278	\$ -	\$ 28,803	\$ 137	\$ -	\$ 80,151	\$ 4,142

DELPHI 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

	Secured Schools Safety Grant	Non-English Speaking Programs	State Connectivity Grant	Career and Technical Performance Grant	Performance Based Awards	Title I 2017-18	Title I 2015-16
Cash and investments - beginning	\$ (34,525)	\$ (655)	\$ 1,164	\$ -	\$ -	\$ -	\$ (57,356)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	67,891	10,200	14,992	10,765	-	-	-
Federal sources	-	-	-	-	-	-	57,856
Other receipts	-	-	-	-	-	-	-
Total receipts	67,891	10,200	14,992	10,765	-	-	57,856
Disbursements:							
Instruction	-	13,451	-	-	-	-	-
Support services	51,405	-	34,647	-	-	-	-
Noninstructional services	-	-	-	-	-	-	500
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	51,405	13,451	34,647	-	-	-	500
Excess (deficiency) of receipts over disbursements	16,486	(3,251)	(19,655)	10,765	-	-	57,356
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	16,486	(3,251)	(19,655)	10,765	-	-	57,356
Cash and investments - ending	\$ (18,039)	\$ (3,906)	\$ (18,491)	\$ 10,765	\$ -	\$ -	\$ -

DELPHI 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 2016-17	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	Cafeteria Clearing Fund	Payroll Clearing Fund	Totals
Cash and investments - beginning	\$ -	\$ (1,787)	\$ (7,393)	\$ 400	\$ -	\$ 3,618,139
Receipts:						
Local sources	-	-	-	-	-	4,935,183
Intermediate sources	-	-	-	-	-	72
State sources	-	-	-	-	-	9,396,873
Federal sources	204,503	12,930	-	-	-	748,866
Other receipts	-	-	-	24,753	2,476,267	2,581,357
Total receipts	<u>204,503</u>	<u>12,930</u>	<u>-</u>	<u>24,753</u>	<u>2,476,267</u>	<u>17,662,351</u>
Disbursements:						
Instruction	174,631	13,835	5,158	-	-	6,785,288
Support services	19,799	-	-	-	-	5,409,325
Noninstructional services	-	-	-	-	-	1,060,126
Facilities acquisition and construction	-	-	-	-	-	819,903
Debt service	-	-	-	-	-	1,972,445
Nonprogrammed charges	-	-	-	32	2,457,690	2,461,559
Total disbursements	<u>194,430</u>	<u>13,835</u>	<u>5,158</u>	<u>32</u>	<u>2,457,690</u>	<u>18,508,646</u>
Excess (deficiency) of receipts over disbursements	<u>10,073</u>	<u>(905)</u>	<u>(5,158)</u>	<u>24,721</u>	<u>18,577</u>	<u>(846,295)</u>
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	1,686,060
Transfers in	-	-	-	-	-	309,712
Transfers out	-	-	-	-	-	(309,712)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,686,060</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>10,073</u>	<u>(905)</u>	<u>(5,158)</u>	<u>24,721</u>	<u>18,577</u>	<u>839,765</u>
Cash and investments - ending	<u>\$ 10,073</u>	<u>\$ (2,692)</u>	<u>\$ (12,551)</u>	<u>\$ 25,121</u>	<u>\$ 18,577</u>	<u>\$ 4,457,904</u>

DELPHI 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ (339,361)	\$ 645,044	\$ 106,235	\$ 821,418	\$ 682,313	\$ 161,381	\$ 656,770
Receipts:							
Local sources	202,185	1,736,435	202,801	949,272	1,561,903	108,114	-
Intermediate sources	77	-	-	-	-	-	-
State sources	9,258,388	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	200,177	-	-	-	5,520	-	300
Total receipts	9,660,827	1,736,435	202,801	949,272	1,567,423	108,114	300
Disbursements:							
Instruction	6,597,532	-	-	-	-	-	321,510
Support services	2,677,630	60,062	-	822,163	1,577,814	191,572	75,564
Noninstructional services	174,984	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	390,335	-	-	-
Debt service	-	1,648,750	189,404	79,215	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	9,450,146	1,708,812	189,404	1,291,713	1,577,814	191,572	397,074
Excess (deficiency) of receipts over disbursements	210,681	27,623	13,397	(342,441)	(10,391)	(83,458)	(396,774)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	176,462	-	-	-	-	-	205,093
Transfers out	-	-	-	(54,089)	(252,748)	-	-
Total other financing sources (uses)	176,462	-	-	(54,089)	(252,748)	-	205,093
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	387,143	27,623	13,397	(396,530)	(263,139)	(83,458)	(191,681)
Cash and investments - ending	\$ 47,782	\$ 672,667	\$ 119,632	\$ 424,888	\$ 419,174	\$ 77,923	\$ 465,089

DELPHI 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

	Construction	GO Bond 2015	GO Bond 2016	School Lunch	Textbook Rental	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ -	\$ -	\$ 1,322,624	\$ 22,893	\$ 226,640	\$ 131	\$ 26,448
Receipts:							
Local sources	-	-	-	294,885	175,453	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	58,313	-	24,658
Federal sources	-	-	-	573,467	-	-	-
Other receipts	-	-	-	6,137	-	-	-
Total receipts	-	-	-	874,489	233,766	-	24,658
Disbursements:							
Instruction	-	-	-	-	-	-	30,406
Support services	-	-	-	24,226	149,680	-	-
Noninstructional services	-	-	-	797,112	-	131	-
Facilities acquisition and construction	750,233	-	1,322,624	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	11,615	-	-	-
Total disbursements	750,233	-	1,322,624	832,953	149,680	131	30,406
Excess (deficiency) of receipts over disbursements	(750,233)	-	(1,322,624)	41,536	84,086	(131)	(5,748)
Other financing sources (uses):							
Proceeds of long-term debt	1,500,000	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(74,718)	-	-	-
Total other financing sources (uses)	1,500,000	-	-	(74,718)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	749,767	-	(1,322,624)	(33,182)	84,086	(131)	(5,748)
Cash and investments - ending	\$ 749,767	\$ -	\$ -	\$ (10,289)	\$ 310,726	\$ -	\$ 20,700

DELPHI 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	School Intervention and Career Counseling	Lilly Grant- Comprehensive Counseling	Donations & Gifts	Adult and Continuing Education	Scholarships and Awards	Student Computer Repair Fund
Cash and investments - beginning	\$ 3,278	\$ -	\$ 28,803	\$ 137	\$ -	\$ 80,151	\$ 4,142
Receipts:							
Local sources	-	-	-	-	-	800	732
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	800	732
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	1,438	-	-	137	-	-	-
Noninstructional services	-	-	28,747	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	2,300	-
Total disbursements	1,438	-	28,747	137	-	2,300	-
Excess (deficiency) of receipts over disbursements	(1,438)	-	(28,747)	(137)	-	(1,500)	732
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,438)	-	(28,747)	(137)	-	(1,500)	732
Cash and investments - ending	\$ 1,840	\$ -	\$ 56	\$ -	\$ -	\$ 78,651	\$ 4,874

DELPHI 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

	Secured Schools Safety Grant	Non-English Speaking Programs	State Connectivity Grant	Career and Technical Performance Grant	Performance Based Awards	Title I 2017-18	Title I 2015-16
Cash and investments - beginning	\$ (18,039)	\$ (3,906)	\$ (18,491)	\$ 10,765	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	11,303	14,250	29,684	11,523	-	-	-
Federal sources	-	-	-	-	-	129,364	-
Other receipts	-	-	-	-	-	-	-
Total receipts	11,303	14,250	29,684	11,523	-	129,364	-
Disbursements:							
Instruction	-	15,269	-	-	-	90,554	-
Support services	(6,880)	-	30,127	-	-	21,333	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	(6,880)	15,269	30,127	-	-	111,887	-
Excess (deficiency) of receipts over disbursements	18,183	(1,019)	(443)	11,523	-	17,477	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,183	(1,019)	(443)	11,523	-	17,477	-
Cash and investments - ending	\$ 144	\$ (4,925)	\$ (18,934)	\$ 22,288	\$ -	\$ 17,477	\$ -

DELPHI 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 2016-17	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	Cafeteria Clearing Fund	Payroll Clearing Fund	Totals
Cash and investments - beginning	\$ 10,073	\$ (2,692)	\$ (12,551)	\$ 25,121	\$ 18,577	\$ 4,457,904
Receipts:						
Local sources	-	-	-	-	-	5,232,580
Intermediate sources	-	-	-	-	-	77
State sources	-	-	-	-	-	9,408,119
Federal sources	11,832	31,715	11,481	-	-	757,859
Other receipts	-	-	-	92,605	2,485,359	2,790,098
Total receipts	11,832	31,715	11,481	92,605	2,485,359	18,188,733
Disbursements:						
Instruction	18,941	35,890	-	-	-	7,110,102
Support services	-	-	-	-	-	5,624,866
Noninstructional services	-	-	-	-	-	1,000,974
Facilities acquisition and construction	-	-	-	-	-	2,463,192
Debt service	-	-	-	-	-	1,917,369
Nonprogrammed charges	-	-	-	129,122	2,497,150	2,640,187
Total disbursements	18,941	35,890	-	129,122	2,497,150	20,756,690
Excess (deficiency) of receipts over disbursements	(7,109)	(4,175)	11,481	(36,517)	(11,791)	(2,567,957)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	1,500,000
Transfers in	-	-	-	-	-	381,555
Transfers out	-	-	-	-	-	(381,555)
Total other financing sources (uses)	-	-	-	-	-	1,500,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,109)	(4,175)	11,481	(36,517)	(11,791)	(1,067,957)
Cash and investments - ending	\$ 2,964	\$ (6,867)	\$ (1,070)	\$ (11,396)	\$ 6,786	\$ 3,389,947

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Delphi Community Multi-School Building Corporation	Multi School Lease	\$ 408,000	6/30/2011	6/30/2027
Total of annual lease payments		<u>\$ 408,000</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Improvement Projects	\$ 1,230,000	\$ 956,950
Notes and loans payable	Pension Debt	1,020,000	92,027
Notes and loans payable	Guaranteed Savings Contract	<u>4,344,000</u>	<u>236,096</u>
Total governmental activities		<u>6,594,000</u>	<u>1,285,073</u>
Totals		<u>\$ 6,594,000</u>	<u>\$ 1,285,073</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE DELPHI COMMUNITY SCHOOL
CORPORATION, CARROLL COUNTY, INDIANA

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in items 2018-003 and 2018-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs/Cost Principles, Special Tests and Provisions - School Food Accounts, and Program Income that are applicable to the Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2016 to June 30, 2018.

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 item 2018-004. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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


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

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 2018-002, 2018-003, 2018-004, and 2018-005, that we consider to be material weaknesses.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 28, 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.

DELPHI 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	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	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			FY 2017	\$ -	\$ 92,612	\$ -	\$ -
School Breakfast			FY 2018	-	-	-	123,176
Total - School Breakfast Program				-	92,612	-	123,176
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch			FY 2017	-	380,729	-	-
School Lunch			FY 2018	-	-	-	425,337
Commodities			FY 2017	-	60,124	-	-
Commodities			FY 2018	-	-	-	78,824
Total - National School Lunch Program				-	440,853	-	504,161
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service			FY 2018	-	-	-	23,729
Total - Summer Food Service Program for Children				-	-	-	23,729
Total - Child Nutrition Cluster				-	533,465	-	651,066
Total - Department of Agriculture				-	533,465	-	651,066
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education			14217-035-PN01	-	99,315	-	231,943
Special Education			14216-035-PN01	-	273,142	-	-
Special Education			18611-035-PN01	-	-	-	92,548
Total - Special Education Grants to States				-	372,457	-	324,491

DELPHI 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	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool			45717-035-PN01	-	3,317	-	5,272
Special Education Preschool			45716-035-PN01	-	7,154	-	-
Special Education Preschool			18619-035-PN01	-	-	-	3,428
Total - Special Education Preschool Grants				-	10,471	-	8,700
Total - Special Education Cluster (IDEA)				-	382,928	-	333,191
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			S010A150014	-	262,360	-	-
Title I			S010A150014	-	-	-	141,197
Total - Title I Grants to Local Educational Agencies				-	262,360	-	141,197
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III			01116-008-PN01	-	-	-	11,481
Total - English Language Acquisition State Grants				-	-	-	11,481
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			S367A150015	-	12,930	-	-
Title II Part A			S367A150015	-	-	-	31,715
Total - Supporting Effective Instruction State Grants				-	12,930	-	31,715
Total - Department of Education				-	658,218	-	517,584
Total federal awards expended				\$ -	\$ 1,191,683	\$ -	\$ 1,168,650

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

DELPHI 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 a Special Education Cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in 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.

DELPHI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Program and type of auditor's report issued on compliance for it:

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

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

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

FINDING 2018-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

Condition

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation had controls in place; however, the controls were not effective.

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

Context

The SEFA presented for audit contained the following errors:

1. The School Breakfast Program expenditures were overstated by \$22,756 for the year ended June 30, 2017.
2. The National School Lunch Program expenditures were understated by \$45,636 for the year ended June 30, 2017, and overstated by \$5,821 for the year ended June 30, 2018.
3. The National School Lunch Program Commodities were understated by \$56,970 and \$78,824 for the years ended June 30, 2017 and 2018, respectively.
4. The Special Education Preschool Grants expenditures were understated by \$778 and \$31,200 for the years ended June 30, 2017 and 2018, respectively.
5. The Summer Food Service Program for Children expenditures were understated by \$4,728 for the year ended June 30, 2018.

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

Criteria

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

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

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

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

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. . . ."

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

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.
- (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 control that would have ensured proper reporting of the SEFA.

Effect

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

Recommendation

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

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-002

Subject: Child Nutrition Cluster - Cash Management, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP)

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-004.

Condition

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

Cash Management

There were no controls in place to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to the three months average expenditures in accordance with the Cash Management compliance requirement.

Eligibility

There were no controls in place to ensure that the eligibility determinations for free and reduced price meals were accurate. One employee processed the applications for free and reduced price meals, which included determining eligibility, without oversight, review or approval, or other compensating control.

Reporting

There were no controls in place to ensure that required reports were complete and accurate prior to submission. One employee prepared and submitted the Annual Financial Reports, the School Food Authority (SFA) Verification Collection Reports, and the monthly Sponsor Claims (claims for reimbursement) without oversight, review, or approval, or other compensating control.

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

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

There were no controls in place to ensure that the verifications of eligibility determinations for free and reduced price meals were accurate. One employee completed the verification process for all selected applications without oversight, review or approval, or other compensating control.

Context

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

Cause

Management had not developed a system of internal controls to ensure compliance with the Cash Management, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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

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

FINDING 2018-003

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles,
Special Tests and Provisions - School Food Accounts
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, Special Tests
and Provisions - School Food Accounts
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles and Special Tests and Provisions - School Food Accounts compliance requirements.

The School Corporation had not established effective controls to ensure that employees' time was adequately documented for the portion paid from program funds. The School Corporation paid a portion of the wages of the Superintendent of Schools, Treasurer, Assistant Treasurer, and six custodians from the School Lunch fund. The wages charged were based on fixed percentages totaling \$119,658. There was no supporting documentation provided to indicate the determination of the amounts.

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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: . . .

(g) Be adequately documented. . . ."

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

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;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (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 allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles and Special Tests and Provisions - School Food Accounts compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Allowable Costs/Cost Principles and Special Tests and Provisions - School Food Accounts compliance requirements.

Questioned Costs

The total of \$119,658 referenced in *Condition* for the Superintendent of Schools, Treasurer, Assistant Treasurer, and six custodians' salaries/wages allocated to the School Lunch fund is considered a questioned cost.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles and Special Tests and Provisions - School Food Accounts compliance requirements.

Views of Responsible Officials

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

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

FINDING 2018-004

Subject: Child Nutrition Cluster - Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018
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 in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not perform any procedures to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs before entering into a contract.

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 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.

DELPHI 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

Management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the 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 2018-005

Subject: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-004.

DELPHI 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 established an effective internal control system to ensure that program income was being properly and timely (at least monthly) transferred from the Cafeteria Clearing Fund to the School Lunch fund. One employee determined the amount of the transfer of program income without oversight, review or approval, or other compensating control.

During 2017, only four transfers were made from the Cafeteria Clearing Fund to the School Lunch fund. In addition, \$71,442 in student revenue was receipted directly into the School Lunch fund without first being deposited into the Cafeteria Clearing Fund.

The School Corporation had not established an effective control system to ensure that expenses were only used for the operation and improvement of the food service program. The School Corporation paid a portion of the Superintendent of Schools, Treasurer, Assistant Treasurer, and six custodians' wages from the School Lunch fund. The wages charged were based on fixed percentages. There was no supporting documentation to indicate how the amounts were determined.

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). . . ."

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

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

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; . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: . . .

- (g) Be adequately documented. . . ."

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. . . ."

Cause

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

Effect

The failure to establish an effective internal control placed the School Corporation in noncompliance with the grant agreement and the Program Income compliance requirement.

Questioned Costs

The total of \$119,658 referenced in *Condition* for the Superintendent of Schools, Treasurer, Assistant Treasurer, and six custodians' salaries/wages allocated to the School Lunch fund is considered a questioned cost.

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

Recommendation

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

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



DELPHI COMMUNITY SCHOOL CORPORATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2016-001

Fiscal Year: 2016

Pass-Through Entity: Indiana Department of Education

Contact Person: Allison Everett

Phone Number: 765-564-2100 ext. 1002

Status of Audit Finding:

Date of Correction: August 2018

The current treasurer produces reports from the accounting program and enters information into Gateway. The superintendent verifies what is entered in to Gateway matches the information on the report to ensure all figures are accurate.

Finding 2016-002

Fiscal Year: 2016

Pass-Through Entity: Indiana Department of Education

Contact Person: Allison Everett

Phone Number: 765-564-2100 ext. 1002

Status of Audit Finding:

Date of Correction: March 2018

Current Corporation Treasurer receives notice of ACH deposit and records same as revenue in the accounting program. Checks and cash payments are received by the Secretary or Director of Operations via mail or personal delivery from patron. Secretary or Director of Operations gives checks to Treasurer for deposit. Deposit is created by Treasurer and verified by Secretary. Secretary or Director of Operations delivers deposit to the bank for processing. Cafeteria funds are deposited by each building cafeteria manager, verified by the Food Service Director and bank receipts along with daily Skyward reports are sent to the Corporation Treasurer for processing.

Finding 2016-003

Fiscal Year: 2016

Pass-Through Entity: Indiana Department of Education

Contact Person: Allison Everett

Phone Number: 765-564-2100 ext. 1002

Status of Audit Finding:

Date of Correction: July 2018

Bid forms that are sent to vendors include a verification to be signed by the vendor and notarized stating: "The undersigned bidder also swears that he has not been suspended or disbarred from providing products or services to government entities by the State or Federal Government." Once bid form is received, the head of the department requesting bid, as well as the purchasing agent verify that the bid form is appropriately signed. All vendors invited to bid are on the list of state approved vendors who have been awarded a state contract to provide services to school corporations.



DELPHI COMMUNITY SCHOOL CORPORATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS CONT.

Finding 2016-004

Fiscal Year: 2016

Pass-Through Entity: Indiana Department of Education

Contact Person: Allison Everett

Phone Number: 765-564-2100 ext. 1002

Status of Audit Finding:

Date of Correction: Implemented during school year 18-19

We are still working on improving and correcting all of the issues surrounding school lunch compliance.

Cash Management (School Breakfast Program and National School Lunch Program) Completed but being improved.

The current Corporation Treasurer maintains a cash flow record and updates it monthly. The cafeteria fund is monitored with a formula to ensure the balance in the fund does not exceed three month's average expenditures. All financial records are reviewed and approved by the Superintendent and Board of School Trustees monthly.

Eligibility - Completed

The current Food Service Director or her Assistant do an initial review of free and reduced applications to ensure eligibility determinations are accurate. Whomever did not do the initial review, provides a secondary verification. Both the Food Service Director and Assistant Food Service director initial applications as evidence of the dual control.

Program Income - Completed

Cafeteria funds are deposited daily by each building cafeteria manager. The Food Service Director receives bank receipts and compares them to daily Skyward reports. Receipts and reports are sent to the Corporation Treasurer for processing.

Reporting - Completed

The current Food Service Director or her Assistant prepares report submissions. Whomever does not do the preparation reviews the required reports and submissions.

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

The current Food Service Director or her Assistant do an initial review of free and reduced applications selected for verification to ensure eligibility determinations are accurate. Whomever did not do the initial review, provides a secondary verification. Both the Food Service Director and Assistant Food Service director initial applications as evidence of the dual control.

Finding 2016-005

Fiscal Year: 2016

Pass-Through Entity: Indiana Department of Education

Contact Person: Allison Everett

Phone Number: 765-564-2100 ext. 1002

Status of Audit Finding:

Date of Correction: Corrected in 15-16 School Year

The current treasurer works closely with the grant director to ensure all expenditures are in compliance with the Allowable Costs/Costs Principles requirement. The Grant Director is responsible for writing the grant and applying for the funds while the Treasurer ensures that expenditures are allowable based on the guidelines of the approved grants. When claims for payments are received, the Grant Director verifies the allowable expenditure and approves and submits claim to Treasurer for payment. The Treasurer processes the claim and sends funds to vendor.



DELPHI COMMUNITY SCHOOL CORPORATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS CONT.

Finding 2016-006

Fiscal Year: 2016

Pass-Through Entity: Indiana Department of Education

Contact Person: Allison Everett

Phone Number: 765-564-2100 ext. 1002

Status of Audit Finding:

Date of Correction: Corrected in 15-16 School Year

The current treasurer works closely with the grant director to ensure all reporting is in compliance with the grant agreement and reporting requirement. The Treasurer prepares a report of all expenditures and the Grant Director ensures all information is correct. The Grant director enters the data for reimbursement. The Treasurer verifies information and submits report for reimbursement.

Finding 2016-007

Fiscal Year: 2016

Pass-Through Entity: Indiana Department of Education

Contact Person: Allison Everett

Phone Number: 765-564-2100 ext. 1002

Status of Audit Finding:

Date of Correction: Corrected in 15-16 School Year

The current treasurer works closely with the grant director to maintain an effective segregation of duties and internal control system which will ensure all compliance requirements are met and no funds are misused or mismanaged.

Respectfully Submitted,

Allison J. Everett
Treasurer

Gregory G. Briles
Superintendent



DELPHI COMMUNITY SCHOOL CORPORATION

CORRECTIVE ACTION PLAN

FINDING 2018-01

Contact Person Responsible for Corrective Action: Allison J. Everett, Corporation Treasurer
Contact Phone Number: 765-564-2100 Ext 1002

Views of Responsible Official: We agree with the repeat finding identified

Description of Corrective Action Plan:

The Corporation Treasurer will gather and enter data for the SEFA. Coordinators for each grant area will verify data and sign off on the SEFA prior to submission.

Completion Date: Corrected July 2018.

FINDING 2018-002

Contact Person Responsible for Corrective Action: Allison J. Everett, Corporation Treasurer
Contact Phone Number: 765-564-2100 Ext 1002

Views of Responsible Official: We agree with the repeat finding identified

Description of Corrective Action Plan:

Cash Management (School Breakfast Program and National School Lunch Program)

The current Corporation Treasurer maintains a cash flow record and updates it monthly. The cafeteria fund is monitored with a formula to ensure the balance in the fund does not exceed three month's average expenditures. All financial records are reviewed and approved by the Superintendent and Board of School Trustees monthly.

Eligibility

The current Food Service Director or her Assistant do an initial review of free and reduced applications to ensure eligibility determinations are accurate. Whomever did not do the initial review, provides a secondary verification. Both the Food Service Director and Assistant Food Service director initial applications as evidence of the dual control.

Reporting

The current Food Service Director or her Assistant prepares report submissions. Whomever does not do the preparation reviews the required reports and submissions.

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

The current Food Service Director or her Assistant do an initial review of free and reduced applications selected for verification to ensure eligibility determinations are accurate. Whomever did not do the initial review, provides a secondary verification. Both the Food Service Director and Assistant Food Service director initial applications as evidence of the dual control

Completion Date: Corrected July 2018

501 Armory Road
DELPHI, INDIANA 46923
765-564-2100
Fax: 765-564-6919



DELPHI COMMUNITY SCHOOL CORPORATION

FINDING 2018-003

Contact Person Responsible for Corrective Action: Allison J. Everett, Corporation Treasurer
Contact Phone Number: 765-564-2100 Ext 1002

Views of Responsible Official: We agree with the finding identified

Description of Corrective Action Plan:

Only those staff members hired and board approved as food service employees being paid from the School Lunch Program. At this time the corporation will not be applying for an Indirect Cost Rate. The Food Service Director will be provided with a Fund Report monthly to ensure that only her staff are paid from the Cafeteria fund.
Completion Date: Corrected January 2019

FINDING 2018-004

Contact Person Responsible for Corrective Action: Allison J. Everett, Corporation Treasurer
Contact Phone Number: 765-564-2100 Ext 1002

Views of Responsible Official: We agree with the repeat finding identified

Description of Corrective Action Plan:

Bid forms that are sent to vendors include a verification to be signed by the vendor and notarized stating: "The undersigned bidder also swears that he has not been suspended or disbarred from providing products or services to government entities by the State or Federal Government." Once bid form is received, the head of the department requesting bid, as well as the purchasing agent verify that the bid form is appropriately signed. All vendors invited to bid are on the list of state approved vendors who have been awarded a state contract to provide services to school corporations.

Completion Date: Corrected July 2018



DELPHI COMMUNITY SCHOOL CORPORATION

FINDING 2018-005

Contact Person Responsible for Corrective Action: Allison J. Everett, Corporation Treasurer
Contact Phone Number: 765-564-2100 Ext 1002

Views of Responsible Official: We agree with the repeat finding identified

Description of Corrective Action Plan:

At the end of each month, the Food Service Director will provide the report of meals served to the Treasurer. The Treasurer will transfer the funds from the Cafeteria Clearing Account to the Cafeteria account based on this report. The Food Service Director will verify the transfer amount based on the monthly fund detail report that will be provided for her.

Only those staff members hired and board approved as food service employees will be paid from the School Lunch Program. At this time the corporation will not be applying for an Indirect Cost Rate. The Food Service Director will be provided with a Fund Report monthly to ensure that only her staff are paid from the Cafeteria fund.

Completion Date: Corrected February 2019

Respectfully Submitted:

Allison J. Everett, Treasurer

Date: 2/28/19

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/>.