

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NORTH DAVIESS COMMUNITY SCHOOLS
DAVIESS COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/08/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Glenda O'Connor	07-01-16 to 12-31-19
Superintendent of Schools	Robert W. Bell	07-01-16 to 12-31-19
President of the School Board	Richard Woodruff Rob Dove	07-01-16 to 12-31-17 01-01-18 to 12-31-19



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NORTH DAVIESS COMMUNITY
SCHOOLS, DAVIESS COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the North Daviess Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2016 to June 30, 2018.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2016 to June 30, 2018, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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

Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 15, 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

April 15, 2019



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

TO: THE OFFICIALS OF THE NORTH DAVIESS COMMUNITY
SCHOOLS, DAVIESS COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the North Daviess Community Schools (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 April 15, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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

Compliance and Other Matters

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

April 15, 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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NORTH DAVIESS COMMUNITY SCHOOLS
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 1,327,716	\$ 7,716,723	\$ 7,757,419	\$ 6,233	\$ 1,293,253	\$ 7,941,383	\$ 7,759,049	\$ -	\$ 1,475,587
Debt Service	458,580	1,419,118	1,209,625	(7,091)	660,982	1,319,450	1,212,250	(12,313)	755,869
Retirement/Severance Bond Debt Service	6,233	-	-	(6,233)	-	-	-	-	-
Capital Projects	734,851	1,656,348	1,270,437	(200,000)	920,762	1,547,709	1,554,237	(250,000)	664,234
School Transportation	533,156	961,039	711,870	(250,000)	532,325	964,947	750,515	(250,000)	496,757
School Bus Replacement	22,081	37,255	-	-	59,336	37,417	9,000	-	87,753
Rainy Day	3,547,747	-	234,339	450,000	3,763,408	130,200	282,646	500,000	4,110,962
Post-Retirement/Severance Future Benefits	148,000	-	-	-	148,000	-	12,240	-	135,760
School Lunch	373,376	622,986	659,330	-	337,032	687,132	662,776	-	361,388
Textbook Rental	54,959	118,169	67,582	7,091	112,637	111,037	136,302	12,313	99,685
Self-Insurance	2,399,857	320,981	293,573	-	2,427,265	-	225,608	-	2,201,657
Child Care Program	-	798	798	-	-	1,135	1,135	-	-
Educational License Plates	133	94	133	-	94	19	60	-	53
Early Intervention Grant	-	-	-	-	-	6,805	5,676	-	1,129
Lilly Counseling Grant	-	29,819	29,819	-	-	-	-	-	-
Extra-Curricular Activities	-	-	-	-	-	2,907	2,907	-	-
Comm Foundation/ Plainville Scholarship	-	1,000	1,000	-	-	6,897	6,897	-	-
Formative Assessment	-	15,785	15,785	-	-	14,768	13,993	-	775
Drug Free Communities	-	-	-	-	-	3,963	-	-	3,963
Drug Free LLC Elementary	-	-	-	-	-	1,000	500	-	500
LCC Red Ribbon Elementary 2015	20	-	20	-	-	-	-	-	-
LCC Drug Testing 2015	2,245	-	2,245	-	-	-	-	-	-
2016 LCC Drug Free High School	3,950	-	1,063	-	2,887	-	2,887	-	-
2017 Elementary Drug Free Red Ribbon	-	500	-	-	500	-	364	-	136
2017 High School Drug Free Grant	-	3,338	97	-	3,241	-	248	-	2,993
Secured Schools Safety Grant	-	-	27,921	-	(27,921)	27,921	-	-	-
Non-English Speaking Programs	-	-	-	-	-	7,500	7,500	-	-
NESP Grant 15-16	253	-	253	-	-	-	-	-	-
16-17 Non English Speaking Grant	-	8,407	8,407	-	-	-	-	-	-
Non English Speaking Title III SIEC	-	5,767	762	-	5,005	-	5,005	-	-
Title III Consort SIEC	-	6,288	4,844	-	1,444	-	1,444	-	-
School Technology	20,591	9,083	19,045	-	10,629	18,168	18,615	-	10,182
Career and Technical Performance Grant	-	12,410	5,585	-	6,825	8,581	6,000	-	9,406
Performance Based Awards	-	-	-	-	-	36,067	36,067	-	-
Miscellaneous Programs	2,747	-	95	-	2,652	-	2,652	-	-
High Ability Grant 17/18	-	-	-	-	-	29,640	29,640	-	-
High Ability Grant 15/16	7,383	-	7,383	-	-	-	-	-	-
High Ability Grant 16/17	-	29,833	26,355	-	3,478	-	3,478	-	-
17-18 Title I Grant	-	-	-	-	-	237,914	266,972	-	(29,058)
15-16 Title I Grant	(24,801)	132,612	107,811	-	-	-	-	-	-
16-17 Title I Grant	-	242,056	274,882	-	(32,826)	107,072	74,246	-	-
Title II Pt A FFY 2014 14/16	(229)	15,239	15,010	-	-	-	-	-	-
Title II 2015 Improv Teacher	(5,024)	55,890	54,145	-	(3,279)	3,279	-	-	-
Title II Pt A FFY 2016 16/18	-	25,109	39,522	-	(14,413)	56,504	50,837	-	(8,746)
Title II Pt A FFY 2017	-	-	-	-	-	20,137	25,633	-	(5,496)
14-16 Rural And Low Income	(1,269)	13,925	12,656	-	-	-	-	-	-
Prepaid School Lunch	6,994	28,629	28,136	-	7,487	98,342	97,729	-	8,100
Payroll Withholdings	-	1,550,558	1,550,558	-	-	1,480,733	1,486,837	-	(6,104)
ECA Payroll	-	5,565	5,565	-	-	6,810	6,810	-	-
Totals	\$ 9,619,549	\$ 15,045,324	\$ 14,444,070	\$ -	\$ 10,220,803	\$ 14,915,437	\$ 14,758,755	\$ -	\$ 10,377,485

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

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources. Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

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

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation were not received by June 30, 2017 and 2018. The Payroll Withholdings fund deficit balance at June 30, 2018, was a result of annuities being paid before the posting of the payroll withholdings.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with North Daviess 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 years 2017 and 2018 totaled \$1,198,650 and \$1,206,700, respectively.

OTHER INFORMATION - UNAUDITED

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

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

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

NORTH DAVIESS COMMUNITY SCHOOLS
 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	Post- Retirement/ Severance Future Benefits	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,327,716	\$ 458,580	\$ 6,233	\$ 734,851	\$ 533,156	\$ 22,081	\$ 3,547,747	\$ 148,000	\$ 373,376	\$ 54,959
Receipts:										
Local sources	86,246	1,419,118	-	1,634,867	961,039	37,255	-	-	315,342	76,706
Intermediate sources	12,634	-	-	21,481	-	-	-	-	-	-
State sources	7,617,843	-	-	-	-	-	-	-	7,628	41,463
Federal sources	-	-	-	-	-	-	-	-	300,016	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>7,716,723</u>	<u>1,419,118</u>	<u>-</u>	<u>1,656,348</u>	<u>961,039</u>	<u>37,255</u>	<u>-</u>	<u>-</u>	<u>622,986</u>	<u>118,169</u>
Disbursements:										
Instruction	5,660,071	-	-	-	-	-	-	-	-	-
Support services	1,902,638	-	-	828,560	711,870	-	234,339	-	7,239	67,582
Noninstructional services	194,710	-	-	-	-	-	-	-	652,091	-
Facilities acquisition and construction	-	-	-	441,877	-	-	-	-	-	-
Debt service	-	1,209,625	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>7,757,419</u>	<u>1,209,625</u>	<u>-</u>	<u>1,270,437</u>	<u>711,870</u>	<u>-</u>	<u>234,339</u>	<u>-</u>	<u>659,330</u>	<u>67,582</u>
Excess (deficiency) of receipts over disbursements	<u>(40,696)</u>	<u>209,493</u>	<u>-</u>	<u>385,911</u>	<u>249,169</u>	<u>37,255</u>	<u>(234,339)</u>	<u>-</u>	<u>(36,344)</u>	<u>50,587</u>
Other financing sources (uses):										
Transfers in	6,233	-	-	-	-	-	450,000	-	-	7,091
Transfers out	-	(7,091)	(6,233)	(200,000)	(250,000)	-	-	-	-	-
Total other financing sources (uses)	<u>6,233</u>	<u>(7,091)</u>	<u>(6,233)</u>	<u>(200,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>7,091</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(34,463)</u>	<u>202,402</u>	<u>(6,233)</u>	<u>185,911</u>	<u>(831)</u>	<u>37,255</u>	<u>215,661</u>	<u>-</u>	<u>(36,344)</u>	<u>57,678</u>
Cash and investments - ending	<u>\$ 1,293,253</u>	<u>\$ 660,982</u>	<u>\$ -</u>	<u>\$ 920,762</u>	<u>\$ 532,325</u>	<u>\$ 59,336</u>	<u>\$ 3,763,408</u>	<u>\$ 148,000</u>	<u>\$ 337,032</u>	<u>\$ 112,637</u>

NORTH DAVIESS COMMUNITY SCHOOLS
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 For the Year Ended June 30, 2017

	Self- Insurance	Child Care Program	Educational License Plates	Early Intervention Grant	Lilly Counseling Grant	Extra- Curricular Activities	Comm Foundation/ Plainville Scholarship	Formative Assessment	Drug Free Communities	Drug Free LLC Elementary
Cash and investments - beginning	\$ 2,399,857	\$ -	\$ 133	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:										
Local sources	320,981	798	-	-	29,819	-	1,000	-	-	-
Intermediate sources	-	-	94	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	15,785	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>320,981</u>	<u>798</u>	<u>94</u>	<u>-</u>	<u>29,819</u>	<u>-</u>	<u>1,000</u>	<u>15,785</u>	<u>-</u>	<u>-</u>
Disbursements:										
Instruction	-	-	-	-	-	-	-	15,785	-	-
Support services	293,573	-	133	-	29,819	-	-	-	-	-
Noninstructional services	-	798	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	1,000	-	-	-
Total disbursements	<u>293,573</u>	<u>798</u>	<u>133</u>	<u>-</u>	<u>29,819</u>	<u>-</u>	<u>1,000</u>	<u>15,785</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>27,408</u>	<u>-</u>	<u>(39)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>27,408</u>	<u>-</u>	<u>(39)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,427,265</u>	<u>\$ -</u>	<u>\$ 94</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
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	LCC Red Ribbon Elementary 2015	LCC Drug Testing 2015	2016 LCC Drug Free High School	2017 Elementary Drug Free Red Ribbon	2017 High School Drug Free Grant	Secured Schools Safety Grant	Non-English Speaking Programs	NESP Grant 15-16	16-17 Non English Speaking Grant	Non English Speaking Title III SIEC
Cash and investments - beginning	\$ 20	\$ 2,245	\$ 3,950	\$ -	\$ -	\$ -	\$ -	\$ 253	\$ -	\$ -
Receipts:										
Local sources	-	-	-	500	3,338	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	8,407	5,767
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	500	3,338	-	-	-	8,407	5,767
Disbursements:										
Instruction	20	-	-	-	-	-	-	253	8,407	762
Support services	-	2,245	1,063	-	97	27,921	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	20	2,245	1,063	-	97	27,921	-	253	8,407	762
Excess (deficiency) of receipts over disbursements	(20)	(2,245)	(1,063)	500	3,241	(27,921)	-	(253)	-	5,005
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(20)	(2,245)	(1,063)	500	3,241	(27,921)	-	(253)	-	5,005
Cash and investments - ending	\$ -	\$ -	\$ 2,887	\$ 500	\$ 3,241	\$ (27,921)	\$ -	\$ -	\$ -	\$ 5,005

NORTH DAVIESS COMMUNITY SCHOOLS
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	Title III Consort SIEC	School Technology	Career and Technical Performance Grant	Performance Based Awards	Miscellaneous Programs	High Ability Grant 17/18	High Ability Grant 15/16	High Ability Grant 16/17	17-18 Title I Grant	15-16 Title I Grant
Cash and investments - beginning	\$ -	\$ 20,591	\$ -	\$ -	\$ 2,747	\$ -	\$ 7,383	\$ -	\$ -	\$ (24,801)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	6,288	9,083	12,410	-	-	-	-	29,833	-	-
Federal sources	-	-	-	-	-	-	-	-	-	132,612
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>6,288</u>	<u>9,083</u>	<u>12,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,833</u>	<u>-</u>	<u>132,612</u>
Disbursements:										
Instruction	4,844	19,045	5,585	-	95	-	7,383	26,355	-	104,762
Support services	-	-	-	-	-	-	-	-	-	3,049
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>4,844</u>	<u>19,045</u>	<u>5,585</u>	<u>-</u>	<u>95</u>	<u>-</u>	<u>7,383</u>	<u>26,355</u>	<u>-</u>	<u>107,811</u>
Excess (deficiency) of receipts over disbursements	<u>1,444</u>	<u>(9,962)</u>	<u>6,825</u>	<u>-</u>	<u>(95)</u>	<u>-</u>	<u>(7,383)</u>	<u>3,478</u>	<u>-</u>	<u>24,801</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,444</u>	<u>(9,962)</u>	<u>6,825</u>	<u>-</u>	<u>(95)</u>	<u>-</u>	<u>(7,383)</u>	<u>3,478</u>	<u>-</u>	<u>24,801</u>
Cash and investments - ending	<u>\$ 1,444</u>	<u>\$ 10,629</u>	<u>\$ 6,825</u>	<u>\$ -</u>	<u>\$ 2,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,478</u>	<u>\$ -</u>	<u>\$ -</u>

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

	16-17 Title I Grant	Title II Pt A FFY 2014 14/16	Title II 2015 Improv Teacher	Title II Pt A FFY 2016 16/18	Title II Pt A FFY 2017	14-16 Rural And Low Income	Prepaid School Lunch	Payroll Withholdings	ECA Payroll	Totals
Cash and investments - beginning	\$ -	\$ (229)	\$ (5,024)	\$ -	\$ -	\$ (1,269)	\$ 6,994	\$ -	\$ -	\$ 9,619,549
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	4,887,009
Intermediate sources	-	-	-	-	-	-	-	-	-	34,209
State sources	-	-	-	-	-	-	-	-	-	7,754,507
Federal sources	242,056	15,239	55,890	25,109	-	13,925	-	-	-	784,847
Other receipts	-	-	-	-	-	-	28,629	1,550,558	5,565	1,584,752
Total receipts	<u>242,056</u>	<u>15,239</u>	<u>55,890</u>	<u>25,109</u>	<u>-</u>	<u>13,925</u>	<u>28,629</u>	<u>1,550,558</u>	<u>5,565</u>	<u>15,045,324</u>
Disbursements:										
Instruction	268,319	15,010	25,292	17,448	-	8,301	-	-	-	6,187,737
Support services	3,405	-	28,853	22,074	-	4,355	-	-	-	4,168,815
Noninstructional services	3,158	-	-	-	-	-	-	-	-	850,757
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	441,877
Debt service	-	-	-	-	-	-	-	-	-	1,209,625
Nonprogrammed charges	-	-	-	-	-	-	28,136	1,550,558	5,565	1,585,259
Total disbursements	<u>274,882</u>	<u>15,010</u>	<u>54,145</u>	<u>39,522</u>	<u>-</u>	<u>12,656</u>	<u>28,136</u>	<u>1,550,558</u>	<u>5,565</u>	<u>14,444,070</u>
Excess (deficiency) of receipts over disbursements	<u>(32,826)</u>	<u>229</u>	<u>1,745</u>	<u>(14,413)</u>	<u>-</u>	<u>1,269</u>	<u>493</u>	<u>-</u>	<u>-</u>	<u>601,254</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	463,324
Transfers out	-	-	-	-	-	-	-	-	-	(463,324)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(32,826)</u>	<u>229</u>	<u>1,745</u>	<u>(14,413)</u>	<u>-</u>	<u>1,269</u>	<u>493</u>	<u>-</u>	<u>-</u>	<u>601,254</u>
Cash and investments - ending	<u>\$ (32,826)</u>	<u>\$ -</u>	<u>\$ (3,279)</u>	<u>\$ (14,413)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,220,803</u>

NORTH DAVIESS COMMUNITY SCHOOLS
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	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post- Retirement/ Severance Future Benefits	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,293,253	\$ 660,982	\$ -	\$ 920,762	\$ 532,325	\$ 59,336	\$ 3,763,408	\$ 148,000	\$ 337,032	\$ 112,637
Receipts:										
Local sources	287,102	1,319,450	-	1,547,709	964,947	37,417	-	-	312,861	70,037
Intermediate sources	45	-	-	-	-	-	-	-	-	-
State sources	7,654,236	-	-	-	-	-	-	-	6,871	41,000
Federal sources	-	-	-	-	-	-	130,200	-	367,100	-
Other receipts	-	-	-	-	-	-	-	-	300	-
Total receipts	<u>7,941,383</u>	<u>1,319,450</u>	<u>-</u>	<u>1,547,709</u>	<u>964,947</u>	<u>37,417</u>	<u>130,200</u>	<u>-</u>	<u>687,132</u>	<u>111,037</u>
Disbursements:										
Instruction	5,636,750	-	-	-	-	-	-	12,240	-	-
Support services	1,922,794	-	-	817,341	750,515	9,000	282,646	-	300	136,302
Noninstructional services	199,505	-	-	-	-	-	-	-	624,595	-
Facilities acquisition and construction	-	-	-	736,896	-	-	-	-	-	-
Debt service	-	1,212,250	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	37,881	-
Total disbursements	<u>7,759,049</u>	<u>1,212,250</u>	<u>-</u>	<u>1,554,237</u>	<u>750,515</u>	<u>9,000</u>	<u>282,646</u>	<u>12,240</u>	<u>662,776</u>	<u>136,302</u>
Excess (deficiency) of receipts over disbursements	<u>182,334</u>	<u>107,200</u>	<u>-</u>	<u>(6,528)</u>	<u>214,432</u>	<u>28,417</u>	<u>(152,446)</u>	<u>(12,240)</u>	<u>24,356</u>	<u>(25,265)</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	500,000	-	-	12,313
Transfers out	-	(12,313)	-	(250,000)	(250,000)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(12,313)</u>	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>12,313</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>182,334</u>	<u>94,887</u>	<u>-</u>	<u>(256,528)</u>	<u>(35,568)</u>	<u>28,417</u>	<u>347,554</u>	<u>(12,240)</u>	<u>24,356</u>	<u>(12,952)</u>
Cash and investments - ending	<u>\$ 1,475,587</u>	<u>\$ 755,869</u>	<u>\$ -</u>	<u>\$ 664,234</u>	<u>\$ 496,757</u>	<u>\$ 87,753</u>	<u>\$ 4,110,962</u>	<u>\$ 135,760</u>	<u>\$ 361,388</u>	<u>\$ 99,685</u>

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	Self- Insurance	Child Care Program	Educational License Plates	Early Intervention Grant	Lilly Counseling Grant	Extra- Curricular Activities	Comm Foundation/ Plainville Scholarship	Formative Assessment	Drug Free Communities	Drug Free LLC Elementary
Cash and investments - beginning	\$ 2,427,265	\$ -	\$ 94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:										
Local sources	-	1,135	-	-	-	2,907	6,897	-	-	-
Intermediate sources	-	-	19	-	-	-	-	-	-	-
State sources	-	-	-	6,805	-	-	-	14,768	3,963	1,000
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	1,135	19	6,805	-	2,907	6,897	14,768	3,963	1,000
Disbursements:										
Instruction	-	-	-	5,676	-	-	-	13,993	-	500
Support services	225,608	-	60	-	-	-	(3,746)	-	-	-
Noninstructional services	-	1,135	-	-	-	2,907	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	10,643	-	-	-
Total disbursements	225,608	1,135	60	5,676	-	2,907	6,897	13,993	-	500
Excess (deficiency) of receipts over disbursements	(225,608)	-	(41)	1,129	-	-	-	775	3,963	500
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(225,608)	-	(41)	1,129	-	-	-	775	3,963	500
Cash and investments - ending	\$ 2,201,657	\$ -	\$ 53	\$ 1,129	\$ -	\$ -	\$ -	\$ 775	\$ 3,963	\$ 500

NORTH DAVIESS COMMUNITY SCHOOLS
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	LCC Red Ribbon Elementary 2015	LCC Drug Testing 2015	2016 LCC Drug Free High School	2017 Elementary Drug Free Red Ribbon	2017 High School Drug Free Grant	Secured Schools Safety Grant	Non-English Speaking Programs	NESP Grant 15-16	16-17 Non English Speaking Grant	Non English Speaking Title III SIEC
Cash and investments - beginning	\$ -	\$ -	\$ 2,887	\$ 500	\$ 3,241	\$ (27,921)	\$ -	\$ -	\$ -	\$ 5,005
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	27,921	7,500	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	27,921	7,500	-	-	-
Disbursements:										
Instruction	-	-	-	364	-	-	7,500	-	-	5,005
Support services	-	-	2,887	-	248	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	2,887	364	248	-	7,500	-	-	5,005
Excess (deficiency) of receipts over disbursements	-	-	(2,887)	(364)	(248)	27,921	-	-	-	(5,005)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(2,887)	(364)	(248)	27,921	-	-	-	(5,005)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 136	\$ 2,993	\$ -	\$ -	\$ -	\$ -	\$ -

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Title III Consort SIEC	School Technology	Career and Technical Performance Grant	Performance Based Awards	Miscellaneous Programs	High Ability Grant 17/18	High Ability Grant 15/16	High Ability Grant 16/17	17-18 Title I Grant	15-16 Title I Grant
Cash and investments - beginning	\$ 1,444	\$ 10,629	\$ 6,825	\$ -	\$ 2,652	\$ -	\$ -	\$ 3,478	\$ -	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	18,168	8,581	36,067	-	29,640	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	237,914	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	18,168	8,581	36,067	-	29,640	-	-	237,914	-
Disbursements:										
Instruction	1,444	18,615	6,000	36,067	2,652	29,640	-	3,478	259,751	-
Support services	-	-	-	-	-	-	-	-	2,550	-
Noninstructional services	-	-	-	-	-	-	-	-	4,671	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	1,444	18,615	6,000	36,067	2,652	29,640	-	3,478	266,972	-
Excess (deficiency) of receipts over disbursements	(1,444)	(447)	2,581	-	(2,652)	-	-	(3,478)	(29,058)	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,444)	(447)	2,581	-	(2,652)	-	-	(3,478)	(29,058)	-
Cash and investments - ending	\$ -	\$ 10,182	\$ 9,406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (29,058)	\$ -

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	16-17 Title I Grant	Title II Pt A FFY 2014 14/16	Title II 2015 Improv Teacher	Title II Pt A FFY 2016 16/18	Title II Pt A FFY 2017	14-16 Rural And Low Income	Prepaid School Lunch	Payroll Withholdings	ECA Payroll	Totals
Cash and investments - beginning	\$ (32,826)	\$ -	\$ (3,279)	\$ (14,413)	\$ -	\$ -	\$ 7,487	\$ -	\$ -	\$ 10,220,803
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	4,550,462
Intermediate sources	-	-	-	-	-	-	-	-	-	64
State sources	-	-	-	-	-	-	-	-	-	7,856,520
Federal sources	107,072	-	3,279	56,504	20,137	-	-	-	-	922,206
Other receipts	-	-	-	-	-	-	98,342	1,480,733	6,810	1,586,185
Total receipts	107,072	-	3,279	56,504	20,137	-	98,342	1,480,733	6,810	14,915,437
Disbursements:										
Instruction	72,986	-	-	45,521	25,633	-	-	-	-	6,183,815
Support services	1,260	-	-	5,316	-	-	-	-	-	4,153,081
Noninstructional services	-	-	-	-	-	-	-	-	-	832,813
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	736,896
Debt service	-	-	-	-	-	-	-	-	-	1,212,250
Nonprogrammed charges	-	-	-	-	-	-	97,729	1,486,837	6,810	1,639,900
Total disbursements	74,246	-	-	50,837	25,633	-	97,729	1,486,837	6,810	14,758,755
Excess (deficiency) of receipts over disbursements	32,826	-	3,279	5,667	(5,496)	-	613	(6,104)	-	156,682
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	512,313
Transfers out	-	-	-	-	-	-	-	-	-	(512,313)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	32,826	-	3,279	5,667	(5,496)	-	613	(6,104)	-	156,682
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (8,746)	\$ (5,496)	\$ -	\$ 8,100	\$ (6,104)	\$ -	\$ 10,377,485

NORTH DAVIESS COMMUNITY SCHOOLS
 SCHEDULE OF LEASES AND DEBT
 June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: North Daviess School Building Corporation	Elementary Building	<u>\$ 1,209,375</u>	7/10/2005	7/10/2021
Total of annual lease payments		<u><u>\$ 1,209,375</u></u>		

NORTH DAVIESS COMMUNITY SCHOOLS
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

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

	Ending Balance
Governmental activities:	
Land	\$ 72,250
Buildings	18,094,614
Improvements other than buildings	2,593,923
Machinery, equipment, and vehicles	<u>1,768,231</u>
Total governmental activities	<u>22,529,018</u>
Total capital assets	<u><u>\$ 22,529,018</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE NORTH DAVIESS COMMUNITY
SCHOOLS, DAVIESS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each 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 2018-004 and 2018-005 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and Special Tests and Provisions - Paid Lunch Equity. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the possible effects of the matter 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 Child Nutrition Cluster for the period of July 1, 2016 to June 30, 2018.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 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 items 2018-001, 2018-002, 2018-003, and 2018-006. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material

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

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 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, and 2018-006, that we consider to be material weaknesses.

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

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

April 15, 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.

NORTH DAVIESS COMMUNITY SCHOOLS
 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 Program			FY 16-17	\$ -	\$ 67,563	\$ -	\$ -
School Breakfast Program			FY 17-18	-	-	-	82,461
Total - School Breakfast Program				-	67,563	-	82,461
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 16-17	-	232,450	-	-
National School Lunch Program			FY 17-18	-	-	-	284,639
National School Lunch Program - Commodities			FY 16-17	-	51,676	-	-
National School Lunch Program - Commodities			FY 17-18	-	-	-	70,385
Total - National School Lunch Program				-	284,126	-	355,024
Total - Child Nutrition Cluster				-	351,689	-	437,485
Total - Department of Agriculture				-	351,689	-	437,485
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Special Education Grants to States	Indiana Department of Education	84.027	14215-009-PN01	-	13,905	-	-
Special Education Grants to States			14216-007-PN01	-	103,914	-	30,967
Special Education Grants to States			14217-007-PN01	-	139,051	-	93,862
Special Education Grants to States			18611-007-PN01	-	-	-	172,789
Total - Special Education Grants to States				-	256,870	-	297,618
Special Education Preschool Grants							
Special Education Preschool Grants	Indiana Department of Education	84.173	45717-007-PN01	-	7,081	-	257
Special Education Preschool Grants			18619-007-PN01	-	-	-	7,225
Total - Special Education Preschool Grants				-	7,081	-	7,482
Total - Special Education Cluster (IDEA)				-	263,951	-	305,100

NORTH DAVIESS COMMUNITY SCHOOLS
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
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
15-16 Title I			16-1375	-	132,612	-	-
16-17 Title I			17-1375	-	242,056	-	107,072
17-18 Title I			18-1375	-	-	-	237,914
Total - Title I Grants to Local Educational Agencies				-	374,668	-	344,986
Rural Education	Indiana Department of Education	84.358					
Rural Education			FY 14-16	-	13,925	-	-
Total - Rural Education				-	13,925	-	-
English Language Acquisition State Grants	Southern Indiana Education Center	84.365					
Title III English Language Acquisition State Grants			FY 15-17	-	5,767	-	-
Title III English Language Acquisition State Grants			FY 16-17	-	6,288	-	-
Total - English Language Acquisition State Grants				-	12,055	-	-
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Title II Part A Supporting Effective Instruction State Grants			FFY 2014	-	15,239	-	-
Title II Part A Supporting Effective Instruction State Grants			FFY 2015	-	55,890	-	3,279
Title II Part A Supporting Effective Instruction State Grants			FFY 2016	-	25,109	-	56,504
Title II Part A Supporting Effective Instruction State Grants			S367A170013	-	-	-	20,137
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	96,238	-	79,920
Total - Department of Education				-	760,837	-	730,006
Total federal awards expended				\$ -	\$ 1,112,526	-	1,167,491

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

NORTH DAVIESS COMMUNITY SCHOOLS
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. *Daviess-Martin Special Education Cooperative*

The School Corporation is a member of a Special Education Cooperative. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement.

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

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

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified
Special Education Cluster (IDEA)	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-001

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed
 Federal Agency: Department of Agriculture
 Federal Programs: School Breakfast Program, National School Lunch Program
 CFDA Numbers: 10.553, 10.555
 Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Activities Allowed or Unallowed
 Audit Findings: Material Weakness, Other Matters

NORTH DAVIESS COMMUNITY SCHOOLS
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 Activities Allowed or Unallowed compliance requirement.

The School Corporation had established the control that all school lunch employees' timesheets were reviewed and approved by a supervisor. However, of the six payroll distributions tested during the audit period, timesheets for the elementary lunch employees were not approved by a supervisor.

In addition, the review of fiscal year 2016-2017 payroll showed that a portion of two custodians' wages was paid from the School Breakfast and National School Lunch programs (school food service program). There was no breakdown on the employees' timesheets to show how much time was spent on school lunch duties versus other School Corporation duties during the pay period. There was no other documentation presented to support the portion paid from the school food service program.

Context

The lack of controls was a systemic issue throughout the audit period. Noncompliance was noted during 2016-2017 for two employees.

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(a) states in part: ". . . Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. . . ."

7 CFR 220.7(e)(1) states in part: "(ii) . . . use all revenues received by such food service only for the operation or improvement of that food service . . ."

Cause

Management had not developed an effective system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed requirements identified above.

Effect

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

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Activities Allowed or Unallowed 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 2018-002

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system that would have ensured that expenditures were for allowable costs related to the grant agreement and the Allowable Cost/Cost Principles compliance requirement.

For those employees that were paid entirely from the school food service program, timesheets were being maintained. However, there was no signature of the immediate supervisor certifying that the work was performed by the Elementary lunch employees for fiscal year 2016-2017 and 2017-2018. No other periodic certifications were maintained that certified that employees worked solely on the program during the audit period.

During 2016-2017, there were two custodians that had a portion of their wages paid from the school food service program. The School Corporation did not provide documentation to support the portion of the wages that were charged to the program. Personnel activity reports were not being maintained for these employees. The total paid to these two employees during 2016-2017 was \$12,692 and have been determined to be questioned costs.

The review of 2017-2018 showed that the indirect cost rate that was used was the rate that had been established for 2016-2017 instead of the rate that had been established for 2017-2018, resulting in an overpayment of indirect costs from the school food service program of \$10,884. This amount has been determined to be a questioned cost.

Context

The lack of controls was a systemic issue for the audit period. Noncompliance, resulting in questioned costs, occurred during both years of the audit period.

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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 are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200, Appendix VII, paragraph D(2) states:

"The following must be included with each indirect cost proposal:

- a. The rates proposed, including subsidiary work sheets and other relevant data, cross referenced and reconciled to the financial data noted in subsection b. Allocated central service costs will be supported by the summary table included in the approved central service cost allocation plan. This summary table is not required to be submitted with the indirect cost proposal if the central service cost allocation plan for the same fiscal year has been approved by the cognizant agency for indirect costs and is available to the funding agency.
- b. A copy of the financial data (financial statements, comprehensive annual financial report, executive budgets, accounting reports, etc.) upon which the rate is based. Adjustments resulting from the use of unaudited data will be recognized, where appropriate, by the Federal cognizant agency for indirect costs in a subsequent proposal.

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

c. The approximate amount of direct base costs incurred under Federal awards. These costs should be broken out between salaries and wages and other direct costs.

d. A chart showing the organizational structure of the agency during the period for which the proposal applies, along with a functional statement(s) noting the duties and/or responsibilities of all units that comprise the agency. (Once this is submitted, only revisions need be submitted with subsequent proposals.)"

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:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

Indiana Department of Education's *Frequently Asked Questions Related to Indirect Cost Rates* states:

"The Indirect Cost Rate calculated by the Office of School Finance sets the maximum rate a Local Education Agency can use. A Local Education Agency, however, is allowed to use any amount below the rate calculated by the Office of School Finance to the extent the funds are available."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles requirements identified above.

Effect

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

Questioned Costs

Known questioned costs of \$23,576 were identified in the *Condition*.

Recommendation

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

Views of Responsible Officials

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

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2018-003

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

Condition

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

Meal prices were approved by the School Board for both years of the audit period, but actual adult tray prices charged did not agree with the approved prices in either year. The School Board approved adult tray lunch pricing of \$2.75 for fiscal year 2016-2017, but \$3 was actually charged beginning August 29, 2016. The School Board approved adult tray breakfast pricing and adult tray lunch pricing of \$1.75 and \$3, respectively, for 2017-2018, but the actual amounts charged for adult tray breakfast and adult tray lunch were \$1.60 and \$3.25, respectively.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.307 states in part:

"Program income.

- (a) *General.* Non-Federal entities are encouraged to earn income to defray program costs where appropriate. . . ."

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Indiana Department of Education has provided the following guidance to School Food Authorities in their document titled *Determining Adult Meals and Student Breakfast Prices*, ". . . **Adult meals:** Breakfasts and lunches served to adults must be priced so that the adult payment is sufficient to cover the overall cost of the lunch (or breakfast), including the value of any USDA entitlement and bonus donated foods used to prepare the meal. . . ."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with 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.

FINDING 2018-004

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

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement.

There were no controls in place to ensure compliance with the Reporting requirement of the grant. There were no review procedures in place to verify that the correct reporting information was entered and reported. The School Corporation could not provide fiscal year 2016-2017 supporting documentation (Meal Count Reports) for the Monthly Sponsor Claims (claim for reimbursement).

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

The School Corporation could not provide supporting documentation (Meal Count Reports) for the Monthly Sponsor Claims (claim for reimbursement) filed during 2016-2017.

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 200.333 states in part:

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

Cause

Management had not developed a system of internal controls that would have ensured that documentation was maintained and made available for audit relating to the Reporting compliance requirement.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation is maintained and made available for audit relating to the Reporting compliance requirement.

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2018-005

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

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): FY 16-17

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NLSP) and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

The Verification Summary Report, Free and Reduced Price Applications, and Paid Lunch Equity report were not presented for audit for fiscal year 2016-2017. We were unable to determine if the School Corporation complied with these compliance requirements.

Context

The Verification Summary Report, Paid Lunch Equity Report, and Free and Reduced Price Applications supporting the Verification Summary Report were not provided for audit to determine if the School Corporation complied with the Special Tests and Provisions - Verification of Free and Reduced Price Application (NLSP) and Special Tests and Provisions - Paid Lunch Equity compliance requirements for 2016-2017.

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). . . ."

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.333 states in part:

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

Cause

Management had not developed a system of internal controls that would have ensured that documentation was maintained and made available for audit relating to the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Effect

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation is maintained and made available for audit relating to the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

FINDING 2018-006

Subject: Special Education Cluster (IDEA) - Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-007-PN01, 14217-007-PN01,
45717-007-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

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

Condition

The School Corporation was a member of the Daviess-Martin Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds. Each member school corporation was ultimately responsible for ensuring compliance with the requirements.

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 Cooperative did not have procedures in place to verify that vendors were not suspended or debarred or otherwise excluded from or ineligible to participate in a federal assistance program prior to entering into a contract with them.

Context

During fiscal year 2016-2017, four contracted vendors received more than \$25,000 to provide special education services. There was no evidence that the Cooperative verified that the vendors were not suspended or debarred prior to awarding the contracts.

Criteria

2 CFR section 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.

You must do this by:

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

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management did not develop a system of internal controls that would have ensured that the Cooperative complied with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

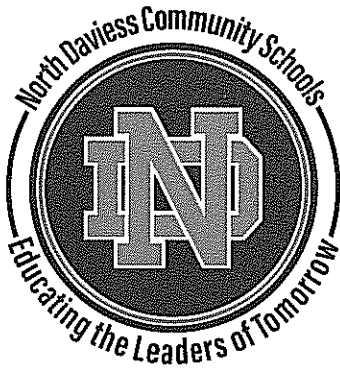
We recommended that the School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which 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.



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Robert W. Bell, Superintendent • Jodi G. Berry, Director of Instruction & Technology
Glenda O'Connor, Treasurer • Elizabeth Knepp, Administrative Assistant

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding initially occurred: 14-15
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept of Education
Contact Person Responsible for Corrective Action: Glenda O'Connor
Contact Phone Number: 812-636-8000 Ext 1001

Status of Audit Finding:

The School Corporation has now established controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement. The website for the U.S. Government's System for Award Management (SAM) will be checked when purchasing over the \$25,000.00 threshold.

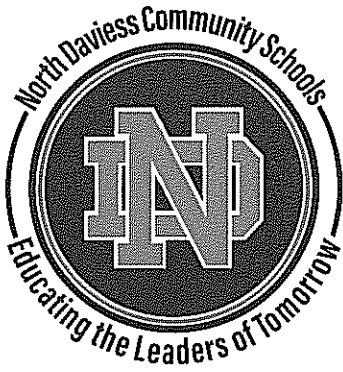
Glenda O'Connor

Treasurer

(Title)

3-18-19

(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-002

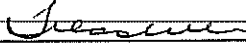
Fiscal year in which the finding initially occurred: 14-16
Pass-Through Entity, if pass-through or Federal Grantor Agency :Indiana Department of Education
Contact Person Responsible for Corrective Action: Glenda O'Connor
Contact Phone Number: 812-636-8000 ext 1001

Status of Audit Finding:

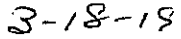
The Superintendent, who sits on the Special Education Co-Op board, has informed their officials to make sure all vendors are approved and not suspended or debarred. They must check the website for U.S. Government's System for Award Management (SAM) for any purchases over the \$25,000.00 threshold.



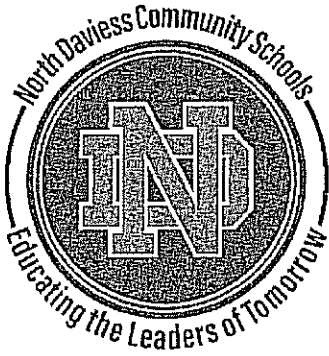
(Signature)



(Title)



(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Glenda O'Connor, Treasurer
Contact Phone Number: 812-636-8000

Views of Responsible Official: The School Corporation management will establish controls to ensure compliance with the grant agreement.

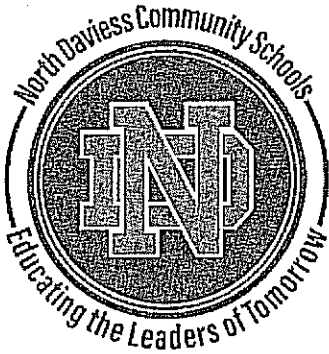
Description of Corrective Action Plan: All school lunch employee's time sheets will be reviewed and approved by the supervisor. The custodian's time sheets are no longer used to separate their earnings. The school corporation is now using the indirect cost method concerning the food service department.

Anticipated Completion Date: April 8, 2019

Glenda O'Connor
(Signature)

Treasurer
(Title)

4-8-19
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Glenda O'Connor, Treasurer
Contact Phone Number: 812-636-8000

Views of Responsible Official: The school corporation management will establish controls to ensure compliance with the grant agreement concerning indirect costs and time sheets.

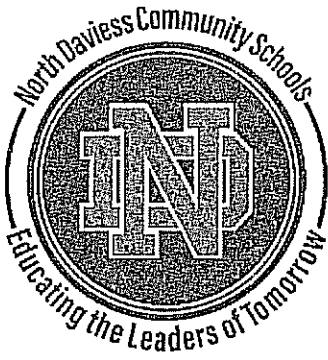
Description of Corrective Action Plan: All school lunch employees' time sheets will be reviewed and approved by their supervisor. The school corporation will establish controls to ensure compliance and comply with the grant agreement and allowable costs/cost principals requirement. Using indirect costs was a new way to handle our rising school lunch balances. Since this routine was new to us, we did use the incorrect percentage for one year. The DOE has been now posting the indirect cost rates along with the Form 9, this seems to help school corporations with this procedure. The overpayment of indirect costs from the school lunch fund will be reversed before June 30, 2019.

Anticipated Completion Date: 4-8-19

Glenda O'Connor
(Signature)

Treasurer
(Title)

4-8-19
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Glenda O'Connor, Treasurer
Contact Phone Number: 812-636-8000

Views of Responsible Official: The school corporation failed to establish an internal control between the school board setting meal prices and the persons who charged those prices.

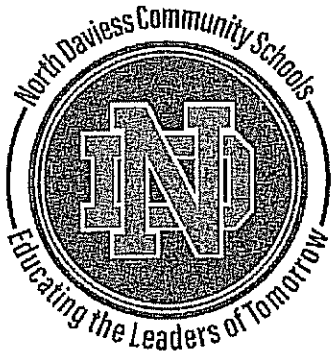
Description of Corrective Action Plan: The School Corporation will now establish controls to ensure compliance between the school board setting the prices and the prices actually being charged to adults.

Anticipated Completion Date: 4-8-19

Glenda O'Connor
(Signature)

Treasurer
(Title)

4-8-19
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-004

Contact Person Responsible for Corrective Action: Glenda O'Connor, Treasurer
Contact Phone Number: 812-636-8000

Views of Responsible Official: There were no review procedures in place to verify correct reporting between the vendor (Aramark) and the school corporation.

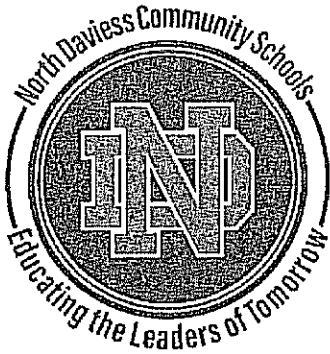
Description of Corrective Action Plan: There will now be a system of internal controls between Aramark and the school corporation to ensure documentation has been maintained and made available for audit purposes.

Anticipated Completion Date: 4-8-19

Glenda O'Connor
(Signature)

Treasurer
(Title)

4-8-19
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-005

Contact Person Responsible for Corrective Action: Glenda O'Connor, Treasurer
Contact Phone Number: 812-636-8000

Views of Responsible Official: There were not internal controls to ensure that documentation was maintained for special test and provisions and verification of free and reduced price applications.

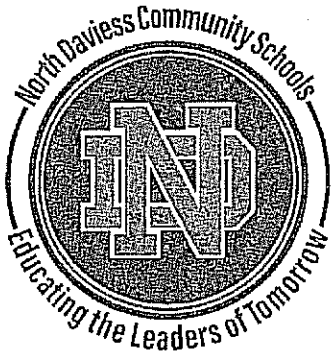
Description of Corrective Action Plan: The vendor (Aramark) had an employee in place that failed to maintain documentation. Aramark now has a new employee in place that has been made aware of the audit procedures and will work with the school corporation to maintain all documentation relating to the free and reduced applications as well as the paid lunch equity requirement.

Anticipated Completion Date: 4-8-19

Glenda O'Connor
(Signature)

Treasurer
(Title)

4-8-19
(Date)



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CORRECTIVE ACTION PLAN


FINDING 2018-006

Contact Person Responsible for Corrective Action: Glenda O'Connor, Treasurer
Contact Phone Number: 812-636-8000

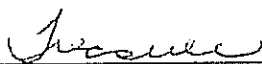
Views of Responsible Official: The Special Ed Cooperative was not in compliance with the procurement and suspension and debarment. This was a finding in the prior audit that was completed in the last few months.

Description of Corrective Action Plan: The school corporation will establish an internal control system with the Special Ed Cooperative to make sure they are verifying all vendors over the \$25,000.00.

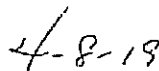
Anticipated Completion Date: 4-8-19



(Signature)



(Title)



(Date)

OTHER REPORTS

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