

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CLAY COMMUNITY SCHOOLS  
CLAY COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
06/07/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Business Affairs	Mark Shayotovich	07-01-16 to 06-30-19
Superintendent of Schools	Jeffery Fritz	07-01-16 to 06-30-19
President of the School Board	Ronald Scherb Kevin Kumpf Tom Reberger	07-01-16 to 12-31-16 01-01-17 to 12-31-18 01-01-19 to 12-31-19



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CLAY COMMUNITY SCHOOLS, CLAY COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Clay 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 May 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

May 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 CLAY COMMUNITY SCHOOLS, CLAY 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 Clay 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 May 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

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

**Compliance and Other Matters**


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

**Clay Community Schools' Response to Findings**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

May 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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CLAY 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			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-16	Receipts	Disbursements		06-30-17	Receipts	Disbursements		
General	\$ 7,773,893	\$ 28,242,739	\$ 28,899,375	\$ (78,556)	\$ 7,038,701	\$ 28,568,082	\$ 28,587,802	\$ -	\$ 7,018,981
Debt Service	2,708,281	3,838,817	4,482,047	(60,471)	2,004,580	4,759,897	6,760,131	-	4,346
Retirement/Severance Bond Debt Service	216,376	147,810	344,095	-	20,091	-	-	-	20,091
Capital Projects	4,077,949	3,353,353	2,911,662	29,437	4,549,077	3,106,351	3,127,090	-	4,528,338
School Transportation	2,872,147	2,732,824	2,138,548	-	3,466,423	2,723,949	2,171,561	294,590	4,313,401
School Bus Replacement	572,025	540,757	581,200	78,556	610,138	616,933	897,276	-	329,795
Rainy Day	2,523,487	228,034	(111,760)	-	2,863,281	-	714,229	-	2,149,052
Retirement/Severance Bond	392,441	1,021	101,571	-	291,891	2,111	86,216	-	207,786
Construction	-	80,104	4,734,687	28,160,717	23,506,134	180,565	15,498,068	-	8,188,631
School Lunch	815,780	2,199,291	2,193,321	-	821,750	2,095,064	2,339,421	-	577,393
Textbook Rental	62,797	450,068	491,610	60,471	81,726	483,618	256,928	-	308,416
Levy Excess	294,590	-	-	-	294,590	-	-	(294,590)	-
Educational License Plates	25,217	450	-	-	25,667	225	-	-	25,892
Alternative Education	17,466	15,584	17,434	-	15,616	12,101	18,992	-	8,725
Early Intervention Grant	-	2,224	-	-	2,224	-	2,224	-	-
Instructional Support	27,063	-	19,863	-	7,200	-	-	-	7,200
Transitional Work Program Donation Fund	2,816	2,879	4,175	-	1,520	1,524	2,529	-	515
Community Foundation Awards and Other Donations	19,813	65,665	49,032	-	36,446	13,173	26,106	-	23,513
Extra-Curricular Activities	(68)	-	(68)	-	-	-	-	-	-
CCHS Fitness Program	4,943	5,000	4,578	-	5,365	5,000	4,908	-	5,457
Scholarships and Awards	6,535	-	-	-	6,535	-	-	-	6,535
Miscellaneous Programs	5,229	-	-	-	5,229	-	443	-	4,786
Lilly-Earnings from Investments	12,860	-	12,860	-	-	6,508	3,705	-	2,803
Monsanto AGRI Science Grant	2,487	-	-	-	2,487	-	-	-	2,487
Instruction Support	-	55,408	46,750	-	8,658	50,862	59,520	-	-
Gifted Education 2017-2018	10,125	-	10,125	-	-	43,538	28,668	-	14,870
Gifted Education 2016-2017	-	45,287	35,334	-	9,953	-	9,797	-	156
Adult and Continuing Education	294	-	-	-	294	-	-	-	294
Extra-Curricular Activities	1,458	-	-	-	1,458	-	-	-	1,458
School Technology	88,225	215,690	2,498	-	301,417	142,411	-	-	443,828
Technology Grants [IC 20-40-15]	-	25,109	15,879	-	9,230	11,985	-	-	21,215
Miscellaneous Programs	3,103	-	-	-	3,103	-	-	-	3,103
Title I 2017-2018	(393,646)	518,403	124,757	-	-	454,307	706,875	-	(252,568)
Title I 2016-2017	-	486,961	619,748	-	(132,787)	286,116	153,332	-	(3)
IDEA	(181,690)	929,715	900,896	-	(152,871)	933,425	1,056,199	-	(275,645)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	(7,715)	33,038	33,222	-	(7,899)	37,431	48,224	-	(18,692)
Adult Basic Education	(4,237)	12,113	15,511	-	(7,635)	15,510	6,417	-	1,458
Perkins Act 2016-2017	(1,301)	-	(1,301)	-	-	-	41,844	-	(41,844)
Perkins Act 2017-2018	-	13,464	35,930	-	(22,466)	16,628	(5,838)	-	-
Improving Teacher Quality, No Child Left, Title II, Part A	(32,639)	153,286	181,416	-	(60,769)	153,779	139,844	-	(46,834)
Prepaid Food	-	-	-	-	-	397,985	367,084	-	30,901
Payroll Clearing	-	8,256,563	8,254,534	-	2,029	8,188,482	8,179,717	-	10,794
<b>Totals</b>	<b>\$ 21,916,104</b>	<b>\$ 52,651,657</b>	<b>\$ 57,149,529</b>	<b>\$ 28,190,154</b>	<b>\$ 45,608,386</b>	<b>\$ 53,307,560</b>	<b>\$ 71,289,312</b>	<b>\$ -</b>	<b>\$ 27,626,634</b>

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

CLAY 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.

CLAY 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.

*Interfund loans.* Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*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.

*Interfund loans.* Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

**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:

CLAY COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

CLAY COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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.

**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

CLAY COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Negative Disbursements**

The financial statement contains some disbursements which appear as negative entries. In the Rainy Day fund, this is a result of a reclassification of Secondary Renovation Project expenditures incurred in the prior period, and prior to the establishment of the Construction fund. Upon establishment of the Construction fund in the current audit period, those expenditures were reclassified from the Rainy Day fund to the Construction fund appropriately. In the grant funds, this is a result of adjusting overspending to subsequent year grant funds or the General fund.

CLAY COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 8. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2017 and 2018.

**Note 9. Holding Corporation**

The School Corporation has entered into a capital lease with Clay Community School Multi School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2017 and 2018 totaled \$3,484,000 and \$3,179,755, respectively.

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#### OTHER INFORMATION - UNAUDITED

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

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

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

CLAY 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	Retirement/ Severance Bond	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 7,773,893	\$ 2,708,281	\$ 216,376	\$ 4,077,949	\$ 2,872,147	\$ 572,025	\$ 2,523,487	\$ 392,441	\$ -	\$ 815,780	\$ 62,797
Receipts:											
Local sources	167,698	3,838,817	147,810	3,353,353	2,732,824	540,757	228,034	1,021	80,104	790,532	276,462
Intermediate sources	131	-	-	-	-	-	-	-	-	-	-
State sources	27,984,196	-	-	-	-	-	-	-	-	16,989	173,606
Federal sources	66,014	-	-	-	-	-	-	-	-	1,391,770	-
Other receipts	24,700	-	-	-	-	-	-	-	-	-	-
Total receipts	28,242,739	3,838,817	147,810	3,353,353	2,732,824	540,757	228,034	1,021	80,104	2,199,291	450,068
Disbursements:											
Instruction	19,993,012	-	-	-	-	-	-	57,645	-	-	-
Support services	8,627,719	-	-	2,122,018	2,138,548	581,200	-	43,926	-	-	491,610
Noninstructional services	278,644	-	-	-	-	-	-	-	-	2,193,321	-
Facilities acquisition and construction	-	-	-	789,644	-	-	(111,760)	-	4,734,687	-	-
Debt service	-	4,482,047	344,095	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	28,899,375	4,482,047	344,095	2,911,662	2,138,548	581,200	(111,760)	101,571	4,734,687	2,193,321	491,610
Excess (deficiency) of receipts over disbursements	(656,636)	(643,230)	(196,285)	441,691	594,276	(40,443)	339,794	(100,550)	(4,654,583)	5,970	(41,542)
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	29,437	-	-	-	-	28,160,717	-	-
Transfers in	-	-	-	-	-	78,556	-	-	-	-	60,471
Transfers out	(78,556)	(60,471)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(78,556)	(60,471)	-	29,437	-	78,556	-	-	28,160,717	-	60,471
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(735,192)	(703,701)	(196,285)	471,128	594,276	38,113	339,794	(100,550)	23,506,134	5,970	18,929
Cash and investments - ending	\$ 7,038,701	\$ 2,004,580	\$ 20,091	\$ 4,549,077	\$ 3,466,423	\$ 610,138	\$ 2,863,281	\$ 291,891	\$ 23,506,134	\$ 821,750	\$ 81,726

CLAY 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

	Levy Excess	Educational License Plates	Alternative Education	Early Intervention Grant	Instructional Support	Transitional Work Program Donation Fund	Community Foundation Awards and Other Donations	Extra- Curricular Activities	CCHS Fitness Program	Scholarships and Awards	Miscellaneous Programs
Cash and investments - beginning	\$ 294,590	\$ 25,217	\$ 17,466	\$ -	\$ 27,063	\$ 2,816	\$ 19,813	\$ (68)	\$ 4,943	\$ 6,535	\$ 5,229
Receipts:											
Local sources	-	-	-	-	-	2,879	65,665	-	5,000	-	-
Intermediate sources	-	450	-	-	-	-	-	-	-	-	-
State sources	-	-	15,584	2,224	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	-	450	15,584	2,224	-	2,879	65,665	-	5,000	-	-
Disbursements:											
Instruction	-	-	17,434	-	19,863	4,175	9,990	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	39,042	(68)	4,578	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	17,434	-	19,863	4,175	49,032	(68)	4,578	-	-
Excess (deficiency) of receipts over disbursements	-	450	(1,850)	2,224	(19,863)	(1,296)	16,633	68	422	-	-
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	450	(1,850)	2,224	(19,863)	(1,296)	16,633	68	422	-	-
Cash and investments - ending	\$ 294,590	\$ 25,667	\$ 15,616	\$ 2,224	\$ 7,200	\$ 1,520	\$ 36,446	\$ -	\$ 5,365	\$ 6,535	\$ 5,229

CLAY 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

	Lilly-Earnings from Investments	Monsanto AGRI Science Grant	Instruction Support	Gifted Education 2017-2018	Gifted Education 2016-2017	Adult and Continuing Education	Extra- Curricular Activities	School Technology	Technology Grants [IC 20-40-15]	Miscellaneous Programs	Title I 2017-2018
Cash and investments - beginning	\$ 12,860	\$ 2,487	\$ -	\$ 10,125	\$ -	\$ 294	\$ 1,458	\$ 88,225	\$ -	\$ 3,103	\$ (393,646)
Receipts:											
Local sources	-	-	55,408	-	-	-	-	209,382	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	45,287	-	-	6,308	25,109	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	518,403
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	55,408	-	45,287	-	-	215,690	25,109	-	518,403
Disbursements:											
Instruction	9,875	-	46,750	10,125	35,334	-	-	-	15,879	-	98,130
Support services	-	-	-	-	-	-	-	-	-	-	26,211
Noninstructional services	-	-	-	-	-	-	-	-	-	-	416
Facilities acquisition and construction	2,985	-	-	-	-	-	-	2,498	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	12,860	-	46,750	10,125	35,334	-	-	2,498	15,879	-	124,757
Excess (deficiency) of receipts over disbursements	(12,860)	-	8,658	(10,125)	9,953	-	-	213,192	9,230	-	393,646
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,860)	-	8,658	(10,125)	9,953	-	-	213,192	9,230	-	393,646
Cash and investments - ending	\$ -	\$ 2,487	\$ 8,658	\$ -	\$ 9,953	\$ 294	\$ 1,458	\$ 301,417	\$ 9,230	\$ 3,103	\$ -

CLAY 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

	Title I 2016-2017	IDEA	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Adult Basic Education	Perkins Act 2016-2017	No Child Perkins Act 2017-2018	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid Food	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ (181,690)	\$ (7,715)	\$ (4,237)	\$ (1,301)	\$ -	\$ (32,639)	\$ -	\$ -	\$ 21,916,104
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	12,495,746
Intermediate sources	-	-	-	-	-	-	-	-	-	581
State sources	-	-	-	-	-	-	-	-	-	28,269,303
Federal sources	486,961	929,715	33,038	12,113	-	13,464	153,286	-	-	3,604,764
Other receipts	-	-	-	-	-	-	-	-	8,256,563	8,281,263
Total receipts	486,961	929,715	33,038	12,113	-	13,464	153,286	-	8,256,563	52,651,657
Disbursements:										
Instruction	517,653	667,240	33,222	12,098	(1,887)	18,395	-	-	-	21,564,933
Support services	88,884	176,044	-	3,413	586	17,535	181,416	-	-	14,499,110
Noninstructional services	13,211	57,612	-	-	-	-	-	-	-	2,586,756
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	5,418,054
Debt service	-	-	-	-	-	-	-	-	-	4,826,142
Nonprogrammed charges	-	-	-	-	-	-	-	-	8,254,534	8,254,534
Total disbursements	619,748	900,896	33,222	15,511	(1,301)	35,930	181,416	-	8,254,534	57,149,529
Excess (deficiency) of receipts over disbursements	(132,787)	28,819	(184)	(3,398)	1,301	(22,466)	(28,130)	-	2,029	(4,497,872)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	28,190,154
Transfers in	-	-	-	-	-	-	-	-	-	139,027
Transfers out	-	-	-	-	-	-	-	-	-	(139,027)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	28,190,154
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(132,787)	28,819	(184)	(3,398)	1,301	(22,466)	(28,130)	-	2,029	23,692,282
Cash and investments - ending	\$ (132,787)	\$ (152,871)	\$ (7,899)	\$ (7,635)	\$ -	\$ (22,466)	\$ (60,769)	\$ -	\$ 2,029	\$ 45,608,386

CLAY 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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 7,038,701	\$ 2,004,580	\$ 20,091	\$ 4,549,077	\$ 3,466,423	\$ 610,138	\$ 2,863,281	\$ 291,891	\$ 23,506,134	\$ 821,750	\$ 81,726
Receipts:											
Local sources	235,593	4,053,698	-	3,029,376	2,711,311	616,933	-	2,111	180,565	758,373	306,475
Intermediate sources	135	-	-	-	-	-	-	-	-	-	-
State sources	28,237,116	-	-	-	-	-	-	-	-	16,977	177,143
Federal sources	80,262	-	-	-	-	-	-	-	-	1,319,714	-
Interfund loans	-	706,199	-	-	-	-	-	-	-	-	-
Other receipts	14,976	-	-	76,975	12,638	-	-	-	-	-	-
<b>Total receipts</b>	<b>28,568,082</b>	<b>4,759,897</b>	<b>-</b>	<b>3,106,351</b>	<b>2,723,949</b>	<b>616,933</b>	<b>-</b>	<b>2,111</b>	<b>180,565</b>	<b>2,095,064</b>	<b>483,618</b>
Disbursements:											
Instruction	19,767,406	-	-	-	-	-	8,030	42,290	-	-	-
Support services	8,545,387	-	-	2,240,403	2,171,561	897,276	-	43,926	-	-	256,928
Noninstructional services	275,009	-	-	-	-	-	-	-	-	2,339,421	-
Facilities acquisition and construction	-	-	-	886,687	-	-	-	-	15,498,068	-	-
Debt service	-	6,760,131	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	706,199	-	-	-	-
<b>Total disbursements</b>	<b>28,587,802</b>	<b>6,760,131</b>	<b>-</b>	<b>3,127,090</b>	<b>2,171,561</b>	<b>897,276</b>	<b>714,229</b>	<b>86,216</b>	<b>15,498,068</b>	<b>2,339,421</b>	<b>256,928</b>
Excess (deficiency) of receipts over disbursements	(19,720)	(2,000,234)	-	(20,739)	552,388	(280,343)	(714,229)	(84,105)	(15,317,503)	(244,357)	226,690
Other financing sources (uses):											
Transfers in	-	-	-	-	294,590	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>294,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(19,720)	(2,000,234)	-	(20,739)	846,978	(280,343)	(714,229)	(84,105)	(15,317,503)	(244,357)	226,690
Cash and investments - ending	\$ 7,018,981	\$ 4,346	\$ 20,091	\$ 4,528,338	\$ 4,313,401	\$ 329,795	\$ 2,149,052	\$ 207,786	\$ 8,188,631	\$ 577,393	\$ 308,416

CLAY 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

	Levy Excess	Educational License Plates	Alternative Education	Early Intervention Grant	Instructional Support	Transitional Work Program Donation Fund	Community Foundation Awards and Other Donations	Extra- Curricular Activities	CCHS Fitness Program	Scholarships and Awards	Miscellaneous Programs
Cash and investments - beginning	\$ 294,590	\$ 25,667	\$ 15,616	\$ 2,224	\$ 7,200	\$ 1,520	\$ 36,446	\$ -	\$ 5,365	\$ 6,535	\$ 5,229
Receipts:											
Local sources	-	-	-	-	-	1,524	13,173	-	5,000	-	-
Intermediate sources	-	225	-	-	-	-	-	-	-	-	-
State sources	-	-	12,101	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	-	225	12,101	-	-	1,524	13,173	-	5,000	-	-
Disbursements:											
Instruction	-	-	18,992	2,224	-	2,529	20,729	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-	-	443
Noninstructional services	-	-	-	-	-	-	5,377	-	4,908	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	18,992	2,224	-	2,529	26,106	-	4,908	-	443
Excess (deficiency) of receipts over disbursements	-	225	(6,891)	(2,224)	-	(1,005)	(12,933)	-	92	-	(443)
Other financing sources (uses):											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	(294,590)	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(294,590)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(294,590)	225	(6,891)	(2,224)	-	(1,005)	(12,933)	-	92	-	(443)
Cash and investments - ending	\$ -	\$ 25,892	\$ 8,725	\$ -	\$ 7,200	\$ 515	\$ 23,513	\$ -	\$ 5,457	\$ 6,535	\$ 4,786

CLAY 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

	Lilly-Earnings from Investments	Monsanto AGRI Science Grant	Instruction Support	Gifted Education 2017-2018	Gifted Education 2016-2017	Adult and Continuing Education	Extra- Curricular Activities	School Technology	Technology Grants [IC 20-40-15]	Miscellaneous Programs	Title I 2017-2018
Cash and investments - beginning	\$ -	\$ 2,487	\$ 8,658	\$ -	\$ 9,953	\$ 294	\$ 1,458	\$ 301,417	\$ 9,230	\$ 3,103	\$ -
Receipts:											
Local sources	6,508	-	50,862	-	-	-	-	134,641	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	43,538	-	-	-	7,770	11,985	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	454,307
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	6,508	-	50,862	43,538	-	-	-	142,411	11,985	-	454,307
Disbursements:											
Instruction	221	-	59,520	28,668	9,797	-	-	-	-	-	461,468
Support services	-	-	-	-	-	-	-	-	-	-	212,661
Noninstructional services	-	-	-	-	-	-	-	-	-	-	32,746
Facilities acquisition and construction	3,484	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	3,705	-	59,520	28,668	9,797	-	-	-	-	-	706,875
Excess (deficiency) of receipts over disbursements	2,803	-	(8,658)	14,870	(9,797)	-	-	142,411	11,985	-	(252,568)
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	2,803	-	(8,658)	14,870	(9,797)	-	-	142,411	11,985	-	(252,568)
Cash and investments - ending	\$ 2,803	\$ 2,487	\$ -	\$ 14,870	\$ 156	\$ 294	\$ 1,458	\$ 443,828	\$ 21,215	\$ 3,103	\$ (252,568)

CLAY 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 I 2016-2017	IDEA	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Adult Basic Education	Perkins Act 2016-2017	No Child Perkins Act 2017-2018	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid Food	Payroll Clearing	Totals
Cash and investments - beginning	\$ (132,787)	\$ (152,871)	\$ (7,899)	\$ (7,635)	\$ -	\$ (22,466)	\$ (60,769)	\$ -	\$ 2,029	\$ 45,608,386
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	12,106,143
Intermediate sources	-	-	-	-	-	-	-	-	-	360
State sources	-	-	-	-	-	-	-	-	-	28,506,630
Federal sources	286,116	933,425	37,431	15,510	-	16,628	153,779	-	-	3,297,172
Interfund loans	-	-	-	-	-	-	-	-	-	706,199
Other receipts	-	-	-	-	-	-	-	397,985	8,188,482	8,691,056
Total receipts	286,116	933,425	37,431	15,510	-	16,628	153,779	397,985	8,188,482	53,307,560
Disbursements:										
Instruction	123,948	827,816	48,224	6,417	18,394	(5,838)	-	-	-	21,440,835
Support services	25,743	177,530	-	-	23,450	-	139,844	-	-	14,735,152
Noninstructional services	3,641	50,853	-	-	-	-	-	-	-	2,711,955
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	16,388,239
Debt service	-	-	-	-	-	-	-	-	-	6,760,131
Nonprogrammed charges	-	-	-	-	-	-	-	367,084	8,179,717	8,546,801
Interfund loans	-	-	-	-	-	-	-	-	-	706,199
Total disbursements	153,332	1,056,199	48,224	6,417	41,844	(5,838)	139,844	367,084	8,179,717	71,289,312
Excess (deficiency) of receipts over disbursements	132,784	(122,774)	(10,793)	9,093	(41,844)	22,466	13,935	30,901	8,765	(17,981,752)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	294,590
Transfers out	-	-	-	-	-	-	-	-	-	(294,590)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	132,784	(122,774)	(10,793)	9,093	(41,844)	22,466	13,935	30,901	8,765	(17,981,752)
Cash and investments - ending	\$ (3)	\$ (275,645)	\$ (18,692)	\$ 1,458	\$ (41,844)	\$ -	\$ (46,834)	\$ 30,901	\$ 10,794	\$ 27,626,634

CLAY COMMUNITY SCHOOLS  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Clay Community School Multi School Building Corporation	Secondary Renovation Project	\$ 2,102,025	11/30/16	12/31/28
Clay Community School Multi School Building Corporation	Secondary Renovation Project	224,488	01/03/17	12/31/31
PNC Equipment Finance, LLC	Lenovo 500E Chromebooks	<u>179,745</u>	06/15/18	06/16/21
Total governmental activities		<u>2,506,258</u>		
Total of annual lease payments		<u>\$ 2,506,258</u>		

CLAY 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.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 4,000
Buildings	82,394,654
Improvements other than buildings	3,379,844
Machinery, equipment, and vehicles	11,053,652
Construction in progress	<u>26,750,283</u>
Total governmental activities	<u>123,582,433</u>
Total capital assets	<u>\$ 123,582,433</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE CLAY COMMUNITY SCHOOLS, CLAY COUNTY, INDIANA

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

We have audited the Clay 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. 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 item 2018-002 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 Program Income. 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 the Child Nutrition Cluster for the period of July 1, 2016 to June 30, 2018.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs 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 item 2018-003. 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002, 2018-003, and 2018-004, 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

May 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.

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CLAY 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
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY17 and FY18	\$ -	\$ 341,056	\$ -	\$ 399,685
School Breakfast Program							
National School Lunch Program	Indiana Department of Education	10.555	FY17 and FY18	-	1,050,714	-	920,029
National School Lunch Program							
Commodities			FY17 and FY18	-	169,711	-	166,704
Total - National School Lunch Program				-	1,220,425	-	1,086,733
Total - Child Nutrition Cluster				-	1,561,481	-	1,486,418
Total - Department of Agriculture				-	1,561,481	-	1,486,418
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Part B-611			14216-007-PN01	-	43,983	-	-
Special Education Part B-611			14217-007-PN01	-	885,732	-	196,006
Special Education Part B-611			14218-007-PN01	-	-	-	737,419
Total - Special Education Grants to States				-	929,715	-	933,425
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education - Pre School 619			14217-007-PN01	-	33,039	-	6,596
Special Education - Pre School 619			14218-007-PN01	-	-	-	30,836
Total - Special Education Preschool Grants				-	33,039	-	37,432
Total - Special Education Cluster (IDEA)				-	962,754	-	970,857
Adult Education - Basic Grants to States	Indiana Department of Workforce Development	84.002					
Adult Education 2015-2016			FY16	-	12,113	-	-
Adult Education 2016-2017			FY17	-	-	-	15,510
Total - Adult Education - Basic Grants to States				-	12,113	-	15,510
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
ESEA Title I 2015-2016			15-1125	-	518,403	-	-
ESEA Title I 2016-2017			16-1125	-	486,951	-	454,307
ESEA Title I 2017-2018			17-1125	-	-	-	286,116
Total - Title I Grants to Local Educational Agencies				-	1,005,354	-	740,423
Career and Technical Education -- Basic Grants to States	Vigo County School Corporation	84.048					
Perkins Act 2016-2017			FY17	-	13,464	-	-
Total - Career and Technical Education -- Basic Grants to States				-	13,464	-	-
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II 2014-2016			FY16	-	109,322	-	-
Title II 2015-2017			FY17	-	43,964	-	65,861
Title II 2016-2018			FY18	-	-	-	87,918
Total - Supporting Effective Instruction State Grants				-	153,286	-	153,779
Total - Department of Education				-	2,146,971	-	1,880,569
Total federal awards expended				\$ -	\$ 3,708,452	\$ -	\$ 3,366,987

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

CLAY 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.

CLAY 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?	yes
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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
	Child Nutrition Cluster	Qualified
	Special Education Cluster (IDEA)	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified

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

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

**Section II - Financial Statement Findings**

**FINDING 2018-001**

Subject: Financial Transactions and Reporting and Preparation of the Schedule of Expenditures of Federal Awards

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding numbers were 2016-001 and 2016-002.

*Condition*

The School Corporation had not separated incompatible activities related to receipts and the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

CLAY COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Receipts*

The School Corporation had not separated incompatible activities related to receipts. There were no controls designed and implemented by the School Corporation for processing, recording, and reporting receipts. The School Corporation did not provide evidence of a review or approval process to ensure that material misstatements would have been prevented, or detected and corrected, in a timely manner.

*Schedule of Expenditures of Federal Awards*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The federal award information was entered into Indiana Gateway for Government Units (Gateway) financial system, which is the source of the SEFA. The Treasurer submitted the grant information into Gateway without an oversight, review, or approval process to ensure federal awards information was entered and submitted correctly.

*Context*

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

*Criteria*

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

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

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

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

*Cause*

Management of the School Corporation had not established a proper system of internal controls over receipts and the preparation of the SEFA.

CLAY COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish a system of internal controls could have enabled misstatements or irregularities with receipts and the reporting of the SEFA to remain undetected.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting over receipts and the preparation of the SEFA.

*Views of Responsible Officials*

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

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

**FINDING 2018-002**

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): FY17 and FY18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

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

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Program Income compliance requirement. The School Corporation had not designed or implemented an adequate system of internal controls to ensure program income was correctly recorded. An oversight, review, or approval process had not been established.

The School Corporation established a single fund, the School Lunch Fund, to account for all activity of the food service program. When prepaid funds were received, they were receipted into the School Lunch Fund as revenue, with no distinction between the prepaid accounts and the program income generated from the food service programs from July 1, 2016 to December 31, 2017. Due to the method of record-keeping, it could not be determined if the School Corporation was in compliance with the Program Income compliance requirement.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of adequate supporting documentation prevented the determination of the School Corporation's compliance with the Program Income compliance requirement from July 1, 2016 to December 31, 2017.

CLAY 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). . . ."

7 CFR 220.7(e) states in part:

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

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

7 CFR 210.14(c) states:

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

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

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by documentation."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and that adequate supporting documentation was maintained and available for audit related to the Program Income compliance requirement.

CLAY COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish an effective internal control system and retain adequate supporting documentation prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the Program Income compliance requirement and that adequate supporting documentation is maintained and available for audit.

*Views of Responsible Officials*

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

**FINDING 2018-003**

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY17 and FY18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-005.

*Condition*

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

The School Corporation had not designed or implemented an adequate internal control system to ensure that the School Lunch Fund monthly cash balances (net cash resources) did not exceed 3 months average expenditures for the fund. There was no oversight, review, or monitoring of the cash net cash resources.

*Context*

The lack of internal controls was a systemic issue, which occurred throughout the audit period until corrected on April 30, 2018. The noncompliance was isolated to the first 13 months of the audit period.

CLAY 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). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . ."

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

*Cause*

The School Corporation had not designed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Cash Management compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

*Views of Responsible Officials*

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

CLAY COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2018-004***

Subject: Child Nutrition Cluster - Eligibility, Procurement and Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY17 and FY18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Eligibility, Procurement and Suspension and Debarment  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of finding 2016-006 from the immediately prior audit report regarding the Procurement and Suspension and Debarment compliance requirement.

*Condition*

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

*Eligibility*

The School Corporation did not have a system of internal controls over the eligibility determinations. There was no oversight, review, or approval process to ensure the accuracy of eligibility determinations made.

*Procurement and Suspension and Debarment*

The School Corporation did not have a system of internal controls in place over procurement and suspension and debarment. There was no oversight, review, or approval process to ensure that the proper procurement methods were being followed or that applicable vendors were not suspended or debarred from participation in federal programs.

*Context*

The lack of controls was a 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). . . ."

CLAY COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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

Mr. Jeffery Fritz, Superintendent  
Dr. Timothy Rayle, Assistant Superintendent for Curriculum & Instruction  
Mr. Michael Howard II, Director of Extended Services  
Mrs. Kathy Knust, Curriculum and Grants Coordinator  
Mr. Mark Shayotovich, Director of Business Affairs  
Mr. Ernie Simpson, Director of Human Resources

1013 S. Forest Avenue  
Brazil, IN 47834  
Phone: 812-443-4461  
Fax: 812-442-0849

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2016-001***

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A  
Contact Person Responsible for Corrective Action: Mark Shayotovich  
Contact Phone Number: 812-442-0610

Subject: Financial Transactions

#### Status of Audit Finding:

The corrective action plan established is functioning as documented and intended. Receipts are written and logged by the front office clerk. Receipts are input by the deputy treasurer, reviewed and verified by the insurance clerk. **Implementation Date: May, 2018**

### ***FINDING 2016-002***

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Mark Shayotovich  
Contact Phone Number: 812-442-0610

Subject: Preparation of the Schedule of Expenditures of Federal Awards

#### Status of Audit Finding:

Building of procedures to support the corrective active plans are still in progress. Necessary reviews discussed are being performed, but not formally documented. We are working towards progress with this step. **Implementation Date: May, 2018 / July, 2019**

### ***FINDING 2016-003***

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Mark Shayotovich  
Contact Phone Number: 812-442-0610

Subject: Child Nutrition Cluster – Internal Controls

#### Status of Audit Finding:

The corrective action plan established is functioning as documented and intended. All fund 800 fund purchases are signed off by the Director or Human Resources or the Director of Food Services before being presented to the Treasurer. The Treasurer is also reviewing verification procedures and documents for Free and Reduced Eligibility. **Implementation Date: May, 2018**

**FINDING 2016-004**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Mark Shayotovich  
Contact Phone Number: 812-442-0610

Subject: Child Nutrition Cluster – Program Income

Status of Audit Finding:

The corrective action plan established is functioning as documented and intended. Fund 8400 was established in January 2018 and is being monitored and accounted for appropriately. **Implementation Date: January, 2018**

**FINDING 2016-005**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Mark Shayotovich  
Contact Phone Number: 812-442-0610

Subject: Child Nutrition Cluster – Cash Management

Status of Audit Finding:

The corrective action plan continues to be established. The monthly food services report is being created and the rolling average calculation and test is being performed. At present time, the Director of Human Resources is not reviewing this report. The Director of Business Affairs is reviewing the report.  
**Implementation Date: August, 2018**

**FINDING 2016-006**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Mark Shayotovich  
Contact Phone Number: 812-442-0610

Subject: Child Nutrition Cluster – Procurement, Suspension, and Debarment

Status of Audit Finding:

The corrective action plan established is functioning as documented and intended. The Director of Food Services is using sound procurement procedures. **Implementation Date: March, 2018**

**FINDING 2016-007**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Mark Shayotovich  
Contact Phone Number: 812-442-0610

Subject: Special Education Cluster (IDEA) - Reporting

Status of Audit Finding:

The corrective action plan continues to be formed and established. The Director of Business Affairs continues open dialogue with all grant managers, but has not yet established a formal checklist. Plans for establishing such checklist are still being considered. **Implementation Date: September, 2018**

Mark Shayotovich  
(Signature)

DIRECTOR OF BUSINESS AFFAIRS  
(Title)

May 15, 2019  
(Date)

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

Mr. Jeffery Fritz, Superintendent  
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## CORRECTIVE ACTION PLAN

### **FINDING 2018-001**

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

Contact Phone Number: 812-442-0610

### Description of Corrective Action Plan

Beginning in May 2018, we added two additional internal control measures to our receipts function:

1. All mail coming in, or patrons who come in to pay in person, will be handled by front office personnel. Front office personnel will take payment and write receipts. Front office Personnel will record payments on book rental or laptop damages into PowerSchool and turn over cash and checks to the deputy treasurer for deposit in the bank and receipt into Komputrol.
2. After receipting payments into the bank, receipts are input into Komputrol by the deputy treasurer, reviewed and verified by the insurance clerk. The insurance clerk will sign off on applicable reports.
3. Beginning in May 2018, a list of all federal awards will be compiled with the assistance of the Deputy Treasurer, Assistant Superintendent, Director of Special Services, Curriculum and Grants Coordinator, Director of Food Services, Director of Extended Services, and Director of Human Resources. In addition to ongoing conversations to best identify federal grants, the deputy treasurer will perform an annual review of all notifications of deposit. A list will be prepared of all deposits that have a corresponding CFDA #. The Director of Business Affairs will review the list in addition to the notifications of deposit to ensure the list's completeness. The director of Business Affairs will prepare the Schedule of Expenditures of Federal Awards as required at the end of each fiscal year. The Deputy Treasurer will be provided with the finalized list of all federal awards for the fiscal year (referenced in the above paragraph) and cross reference it with the SEFA to ensure its completeness. Once considered complete by both the Deputy Treasurer and the Director of Business Affairs, the SEFA will be submitted by the Director of Business Affairs as part of the Annual Financial Report through Gateway. The Director of Business Affairs will formally document this procedure once completed

Implementation/Anticipated Completion Date: May 2018 / July, 2019

## **FINDING 2018-002**

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

Contact Phone Number: 812-442-0610

### Description of Corrective Action Plan

Beginning in January, 2018 Clay Community Schools implemented the use of Fund 8400 to account for prepaid food service. This occurred concurrently with our district beginning to accept online credit card payments through the use of a third party. Appropriate receipt accounts have been set up and are being utilized. At the end of each semester, the Director Business Affairs and the Deputy Treasurer will perform appropriate reconciliations and consequent revenue recognition in Fund 800 for food service dollars earned in the period.

Implementation Date: January, 2018

## **FINDING 2018-003**

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

Contact Phone Number: 812-442-0610

### Description of Corrective Action Plan

Beginning in May 2018, we will add two additional internal control measures to the School Lunch Fund Cash Management Function.

1. The Director of Food Services will begin preparing the Monthly Food Services Report. In addition to other functional data, the report will include a calculation of three month average expenditures and a related comparison to the month ending cash balance in the school lunch fund.
2. The Monthly Food Services Report will be reviewed by the Director of Human Resources. The Director of Human Resources will sign off on the report and pass it along to the Director of Business Affairs who will review the calculation and comparison, and determine if action needs to be taken.

Implementation Date: August, 2018

**FINDING 2018-04**

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

Contact Phone Number: 812-442-0610

Description of Corrective Action Plan

*Procurement, Suspension and Debarment*

In March 2018, The Food Services Director began using SAM to review vendors for potential debarment or suspension. This will become an annual procedure to take place in August prior to the start of school, and will be written into the Child Nutrition Procurement Plan referenced above.

*Eligibility*

On August 7, 2017 we implemented a new Child Nutrition Procurement Plan. This plan expanded upon our general corporation procurement procedures by adding additional Child Nutrition Program related procedures which included the documenting of eligibility reviews by the Director of Food Services or the Director of Human Resources

Implementation Date: March, 2018 / August 2018

  
\_\_\_\_\_  
Mark Shayotovich, Director of Business Affairs

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