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December 5, 2019


Charter School Board
Dugger Union Community School Corporation
7356 E Co Rd 50 S
Dugger, IN 47848

We have reviewed the audit report of Dugger Union Community School Corporation which was opined upon by Greenwalt CPAs, Inc., Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Dugger Union Community School Corporation as of June 30, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Greenwalt CPAs, Inc. prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Dugger Union Community School Corporation, was prepared in accordance with the guidelines established by the State Board of Accounts.

The Supplemental Audit Report and associated audited Financial Statements are filed in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

DUGGER UNION COMMUNITY SCHOOL CORPORATION

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019 AND 2018

GREENWALT^{CPAs}

We Deliver Peace of Mind

DUGGER UNION COMMUNITY SCHOOL CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dugger Union Community School Corporation:

We have audited the accompanying financial statements of Dugger Union Community School Corporation (an Indiana public charter school, "the School"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, and *Guidelines for Audits of Charter Schools Performed by Private Examiners* established by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements 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'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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements

The financial statements of the School as of June 30, 2018, were audited by other auditors whose opinion dated November 19, 2018, on those statements was unmodified. As discussed in Note 11, the School has restated its fiscal year 2018 financial statements during the current fiscal year to record liability and expense related to paid time off earned and imputed interest related to a below market rate on a note payable, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the fiscal year 2018 financial statements before the restatement.

As part of our audit of the fiscal year 2019 financial statements, we also audited adjustments described in Note 11 that were applied to restate the fiscal year 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the fiscal year 2018 financial statements of the School other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the fiscal year 2018 financial statements as a whole.

Greenwald CPAs, Inc.

November 27, 2019

DUGGER UNION COMMUNITY SCHOOLS COPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>RESTATED 2018</u>
CURRENT ASSETS		
Cash	\$ 1,028,303	\$ 991,123
Grants receivable	70,790	104,367
Prepaid expenses	69,572	64,502
	<u>1,168,665</u>	<u>1,159,992</u>
<i>Total current assets</i>		
PROPERTY AND EQUIPMENT		
Land	19,200	19,200
Building and improvements	701,718	553,047
Furniture and equipment	536,891	437,582
Textbooks	231,896	216,715
Vehicles	355,323	233,792
Less: accumulated depreciation	(690,108)	(441,327)
	<u>1,154,920</u>	<u>1,019,009</u>
<i>Total property and equipment, net</i>		
RESTRICTED CASH	<u>25,000</u>	<u>20,000</u>
<i>Total assets</i>	<u>\$ 2,348,585</u>	<u>\$ 2,199,001</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current portion of notes payable	\$ 109,837	\$ 109,035
Accounts payable and accrued expenses	157,630	103,663
Deferred revenue	698	829
	<u>268,165</u>	<u>213,527</u>
<i>Total current liabilities</i>		
LONG TERM LIABILITIES		
Notes payable, net of current portion and discount	<u>467,768</u>	<u>544,921</u>
<i>Total liabilities</i>	<u>735,933</u>	<u>758,448</u>
COMMITMENTS (NOTES 6 AND 9)		
NET ASSETS		
Without donor restrictions		
Undesignated	1,526,402	1,348,835
Board designated	25,000	20,000
	<u>1,551,402</u>	<u>1,368,835</u>
<i>Total net assets without donor restrictions</i>		
With donor restrictions	<u>61,250</u>	<u>71,718</u>
<i>Total net assets</i>	<u>1,612,652</u>	<u>1,440,553</u>
<i>Total liabilities and net assets</i>	<u>\$ 2,348,585</u>	<u>\$ 2,199,001</u>

DUGGER UNION COMMUNITY SCHOOLS COPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			RESTATED 2018		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT						
State education support	\$ 2,881,626	\$ -	\$ 2,881,626	\$ 2,433,501	\$ -	\$ 2,433,501
Grants	595,515	-	595,515	413,364	-	413,364
Contributions	23,647	10,000	33,647	72,647	-	72,647
Student fees, net of scholarships of \$10,162 and \$9,088 in 2019 and 2018, respectively	31,987	-	31,987	59,915	-	59,915
Special events, net of expense of \$19,064 and \$22,787 in 2019 and 2018, respectively	25,051	-	25,051	22,097	-	22,097
Other income	26,866	-	26,866	39,168	-	39,168
Net assets released from restriction	20,468	(20,468)	-	17,344	(17,344)	-
<i>Total</i>	<u>3,605,160</u>	<u>(10,468)</u>	<u>3,594,692</u>	<u>3,058,036</u>	<u>(17,344)</u>	<u>3,040,692</u>
EXPENSES						
Program	2,595,061	-	2,595,061	2,090,174	-	2,090,174
Management and general	827,129	-	827,129	687,838	-	687,838
Fundraising	403	-	403	763	-	763
<i>Total expenses</i>	<u>3,422,593</u>	<u>-</u>	<u>3,422,593</u>	<u>2,778,775</u>	<u>-</u>	<u>2,778,775</u>
CHANGE IN NET ASSETS	182,567	(10,468)	172,099	279,261	(17,344)	261,917
NET ASSETS, BEGINNING OF YEAR	<u>1,368,835</u>	<u>71,718</u>	<u>1,440,553</u>	<u>1,089,574</u>	<u>89,062</u>	<u>1,178,636</u>
NET ASSETS, END OF YEAR	<u>\$ 1,551,402</u>	<u>\$ 61,250</u>	<u>\$ 1,612,652</u>	<u>\$ 1,368,835</u>	<u>\$ 71,718</u>	<u>\$ 1,440,553</u>

See accompanying notes to financial statements.

DUGGER UNION COMMUNITY SCHOOLS COPORATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019				RESTATED 2018			
	Program	Management & General	Fundraising	Total	Program	Management & General	Fundraising	Total
Salaries and wages	\$ 1,340,374	\$ 490,041	\$ -	\$ 1,830,415	\$ 1,123,321	\$ 356,650	\$ -	\$ 1,479,971
Employee benefits	405,788	118,966	-	524,754	287,217	95,992	-	383,209
Staff development	29,747	-	-	29,747	11,937	-	-	11,937
Professional services	47,752	51,933	-	99,685	38,656	50,235	-	88,891
Repairs and maintenance	72,090	-	-	72,090	31,546	-	-	31,546
Authorizer fees	-	53,048	-	53,048	-	72,480	-	72,480
Food	108,267	-	-	108,267	62,861	-	-	62,861
Advertising	-	9,207	-	9,207	-	8,181	-	8,181
Student transportation	25,175	-	-	25,175	26,522	-	-	26,522
Travel	4,735	965	-	5,700	7,948	40	-	7,988
Classroom, kitchen, and office supplies	51,923	9,455	-	61,378	56,801	9,828	-	66,629
Occupancy	171,132	9,643	-	180,775	152,960	10,609	-	163,569
Depreciation	248,782	-	-	248,782	219,652	-	-	219,652
Information technology	36,580	-	-	36,580	25,269	-	-	25,269
Extra-curricular	50,045	-	-	50,045	45,366	-	-	45,366
Interest	-	23,849	-	23,849	-	29,587	-	29,587
Insurance	-	49,170	-	49,170	-	49,688	-	49,688
Donation	-	-	403	403	-	-	763	763
Bad debt	-	3,190	-	3,190	-	-	-	-
Other	2,671	7,662	-	10,333	118	4,548	-	4,666
	<u>2,595,061</u>	<u>827,129</u>	<u>403</u>	<u>3,422,593</u>	<u>2,090,174</u>	<u>687,838</u>	<u>763</u>	<u>2,778,775</u>
Special events expense netted with revenue	-	-	19,064	19,064	-	-	22,787	22,787
<i>Total functional expenses</i>	<u>\$ 2,595,061</u>	<u>\$ 827,129</u>	<u>\$ 19,467</u>	<u>\$ 3,441,657</u>	<u>\$ 2,090,174</u>	<u>\$ 687,838</u>	<u>\$ 23,550</u>	<u>\$ 2,801,562</u>

DUGGER UNION COMMUNITY SCHOOLS COPORATION
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NET CHANGE IN CASH

	<u>2019</u>	<u>RESTATED 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from the State, grants, and other	\$ 3,623,138	\$ 3,023,638
Cash paid to employees and vendors	(3,123,921)	(2,606,368)
Interest paid	(8,381)	(12,243)
	<u>490,836</u>	<u>405,027</u>
<i>Net cash provided by operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(361,837)	(252,334)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(91,819)	(107,487)
NET INCREASE IN CASH	37,180	45,206
CASH, BEGINNING OF YEAR	<u>991,123</u>	<u>945,917</u>
CASH, END OF YEAR	<u>\$ 1,028,303</u>	<u>\$ 991,123</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Property and equipment in accounts payable	\$ 22,856	\$ -
Discount on loan payable	<u>\$ 15,468</u>	<u>\$ 17,344</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO
 NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>2019</u>	<u>RESTATED 2018</u>
CHANGE IN NET ASSETS	\$ 172,099	\$ 261,917
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	248,782	219,652
Discount on loan payable	15,468	17,344
<i>(Increase) decrease in operating assets:</i>		
Grants receivable	33,577	(12,883)
Prepaid expenses	(5,070)	(52,339)
Restricted cash	(5,000)	(5,000)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable and accrued liabilities	31,111	(24,493)
Deferred revenue	(131)	829
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 490,836</u>	<u>\$ 405,027</u>

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

Dugger Union Community Schools Corporation ("the School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Grace College. The School provides educational instruction to approximately 400 students in grades kindergarten through twelve.

The School receives the majority of its funding from the Indiana Department of Education. Their revenues are supplemented with funds from grants and contributions.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2019 and 2018. The School maintained cash in excess of Federal Deposit Insurance Corporation (FDIC) limits by approximately \$803,000 and \$771,000 at June 30, 2019 and 2018, respectively.

GRANTS RECEIVABLE

Grants receivable represent the uncollected portion of funds from grants awarded to the School. Grants receivable are unsecured and are due from Indiana governmental entities and private funders over periods of time up to thirty days from the statement of financial position date. Grants receivable are stated at the amount determined by public statute or by the underlying private funding agreements. Generally, there is not significant risk of loss of these amounts due since they are statutorily determined and obligated. However, there is some risk that public funding from the State of Indiana could be reduced from amounts previously determined during periods of prolonged economic downturn.

The School reviews grants receivable and writes off any amount to be deemed uncollectible. There were no allowances as of June 30, 2019 and 2018. All grants receivable are collectible within one year.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased, or, if contributed, at the estimated fair value at the date of the gift. The School capitalizes additions of property and equipment in excess of \$1,000 that have a useful life or extend the useful life greater than one year, or fair value, if contributed. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets generally as follows:

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PROPERTY AND EQUIPMENT, CONTINUED

Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets generally as follows:

Building and improvements	40 years
Furniture and equipment	3 to 7 years
Textbooks	4 to 5 years
Vehicles	5 years

RESTRICTED CASH

As part of its charter agreement with Grace College (Note 9), the School is required to hold in an escrow account funds to pay for legal, wind down of operations, and audit expenses that would be associated with dissolution should it occur. Per the agreement, the School was required to place a minimum of \$30,000 into the account by the sixth year of operations. The School complied with this requirement during fiscal year 2019.

NET ASSETS

The School maintains the following classifications of net assets:

WITHOUT DONOR RESTRICTIONS

These include revenue and expenses from the regular operations of the School, which are at the discretion of management and the Board of Directors.

WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED

The School's charter is authorized through Grace College (Note 9 and "Restricted Cash"). Grace College requires that the School establish and maintain an account held in escrow of \$30,000 no later than six years after the School's establishment. The escrow account is designated for any potential dissolution of the School. At June 30, 2019 and 2018, the School held \$25,000 and \$20,000, respectively, in escrow which have been presented as board designated net assets in the statements of financial position.

WITH DONOR RESTRICTIONS

These include contributions and grants with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets with donor restrictions consist of a contribution related to scholarships and a below-market interest rate loan that will be released ratably over the life of the loan. See Notes 3 and 4.

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

REVENUE RECOGNITION

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants as costs are incurred.

CONTRIBUTIONS AND GRANTS

Contributions and grants are recognized when the donor makes an unconditional promise to give to the School and are recorded at their fair values as revenues and assets in the period the promise was received. Contributions with donor restrictions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

ADVERTISING

Advertising expenses totaled \$9,207 and \$8,181 for fiscal years 2019 and 2018, respectively. The School's policy is to recognize advertising expenditures in the period in which they are incurred.

FUNCTIONAL ALLOCATION OF EXPENSES

In the accompanying statements of functional expense, all expenses are allocated to program, management and general, and fundraising expenses. Expenses were allocated among the functional categories on the basis of specific identification and estimates of time spent and benefits derived.

TAX STATUS

The School is an Indiana not-for-profit corporation, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through November 27, 2019, which is the date these financial statements were available to be issued.

NEW ACCOUNTING PRONOUNCEMENT

Effective June 30, 2019, the School adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification by reducing the three categories of unrestricted, temporarily restricted, and permanently restricted to two, net assets with and without donor restrictions. In addition, the update requires a new disclosure regarding liquidity and the availability of resources. The School has adjusted the presentation of these statements accordingly. With the exception of Note 2, the update has been applied retrospectively to all periods presented.

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

2. AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operating and other commitments. The School has various sources of liquid assets at its disposal, including cash and receivables.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to ongoing activities of the school as well as the supporting operations to be general expenditures.

Financial assets available for general expenditure, within one year, consist of the following at June 30, 2019:

Financial assets at year-end:	
Cash	\$ 1,053,303
Grants receivable	<u>70,790</u>
Total financial assets	<u>1,124,093</u>
Less amounts not available to be used within one year:	
Restricted cash	(25,000)
Net assets with donor restrictions	<u>(5,000)</u>
Financial assets not available to be used with one year	<u>(30,000)</u>
Financial assets available to meet cash within one year	<u>\$ 1,094,093</u>

3. NOTES PAYABLE

The School has a note payable with a financial lender which expires in June 2021. The loan was \$350,000 with the interest rate of 4.71% and requires semi-annual payments including principal and interest of \$18,898. At June 30, 2019 and 2018, the balance outstanding was \$71,355 and \$88,174, respectively. This loan is secured by buses.

The School obtained a loan from the State of Indiana through the Charter and Innovation School Advance Program for \$750,000 in November 2015, which matures in July 2026. The interest rate on the loan is 1% per annum and semi-annual payments of \$37,500 principal plus interest are being deducted from the School's monthly state tuition support payments.

The loan is considered below-market and, to reflect the time value of money, the liability recorded in the financial statements reflects the future payments discounted at an imputed interest rate of 3.5%, which was the Schools' long-term borrowing rate at loan inception. The balance on the loan at June 30, 2019 and 2018 was \$562,500 and \$637,500 net of unamortized discounts of \$49,874 and \$71,718, respectively.

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

3. NOTES PAYABLE, CONTINUED

The future aggregate minimum principal payments on the note and loan payable are as follows for the years ending June 30:

2020	\$	109,837
2021		111,518
2022		75,000
2023		75,000
2024		75,000
Thereafter		<u>187,500</u>
Total loan and note payable		633,855
Less: current portion		(109,837)
Less: discount on loan payable		<u>(56,250)</u>
Long term portion	\$	<u><u>467,768</u></u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were held for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 5,000	\$ -
Below-market interest rate loan	<u>56,250</u>	<u>71,718</u>
Total	<u>\$ 61,250</u>	<u>\$ 71,718</u>

5. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the fiscal year:

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 5,000	\$ -
Below-market interest rate loan	<u>15,468</u>	<u>17,344</u>
Total	<u>\$ 20,468</u>	<u>\$ 17,344</u>

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

6. OPERATING LEASES

The School leases copier equipment under operating leases with various expiration dates through October 2021. Total expense under operating leases for fiscal years 2019 and 2018 was \$4,264 and \$5,962, respectively.

Future minimum rental payments required under operating leases for the years ending June 30 are as follows:

2020	\$	2,532
2021		2,532
2022		<u>844</u>
	\$	<u>5,908</u>

7. RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributes 7.5% of compensation for electing teaching faculty to TRF and 11.2% of compensation for other electing employees to PERF. For TRF, the School also contributes a discretionary 1.35% above the state-imposed requirement. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2018 (the latest year reported), both TRF and PERF were at least 80% funded. A copy of the complete annual report for the year ended June 30, 2018 can be obtained at:

https://www.in.gov/inprs/files/2018_INPRSCAFRBook.pdf

Retirement plan expense was \$159,464 and \$130,711 for the years ended June 30, 2019 and 2018, respectively.

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

8. FEDERAL, STATE, AND LOCAL GRANT AWARDS

In accordance with guidelines established by the Indiana State Board of Accounts, this federal, state, and local grant information was included to aid in the verification of Indiana financial assistance on the Annual Financial Report (AFR).

Program Name	Grantor Name	CFDA	Revenue	Expense	Funding Type
National School Lunch Program	Indiana Department of Education	10.555	\$175,852	\$99,980	Federal grant passed through state or local government
Title I, Part A	Indiana Department of Education	84.010	\$58,542	\$58,542	Federal grant passed through state or local government
Special Education Cluster (IDEA, Part B)	Indiana Department of Education	84.027	\$86,979	\$86,979	Federal grant passed through state or local government
Title II, Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	\$12,328	\$12,328	Federal grant passed through state or local government
Javits Gifted and Talented Students Education	Indiana Department of Education	84.206	\$25,864	\$25,864	Federal grant passed through state or local government
Early Intervention	Indiana Department of Education	84.181	\$1,167	\$1,167	Federal grant passed through state or local government
Excellence in Performance	Indiana Department of Education	N/A	\$11,746	\$11,746	Federal grant passed through state or local government
State Curriculum Materials	Indiana Department of Education	N/A	\$20,374	\$20,374	State or Local Government
Formative Assistance Grant	Indiana Department of Education	N/A	\$3,663	\$3,663	State or Local Government
Basic Tuition Support	Indiana Department of Education	N/A	\$2,881,626	\$2,881,626	State or Local Government
Charter Facility Grant	Indiana Department of Education	N/A	\$199,000	\$199,000	State or Local Government
State Lunch Match	Indiana Department of Education	N/A	\$478	\$478	State or Local Government
			\$3,477,619	\$3,401,747	

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

9. COMMITMENTS

The School operates under a charter granted by Grace College. As the sponsoring organization, Grace College exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Grace College an annual administrative fee equal to 3% of state tuition and complexity grant support received. Expense under this charter agreement was \$53,048 and \$72,480 for the years ended June 30, 2019 and 2018, respectively. The charter remains in effect until May 31, 2022 and is renewable thereafter by mutual consent.

10. RISKS AND UNCERTAINTIES

The School provides educational instruction services to persons primarily residing in Dugger, Indiana and greater Sullivan County, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In fiscal years 2019 and 2018, 94.4% and 93.3% of the School's revenue came from the Indiana Department of Education, respectively. Furthermore, at June 30, 2019 and 2018, substantially all of the grants receivable balance was due from the State of Indiana.

11. RESTATEMENT

As of June 30, 2018, the School did not accrue for days carried over for personal time for the 2017-2018 school year. In addition, the School did not accrue for imputed interest on its note payable to the state of Indiana as of June 30, 2018.

The School made the following restatements to the fiscal year 2018 financial statements:

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Adjustment</u>
Total liabilities	<u>\$ 814,300</u>	<u>\$ 758,448</u>	<u>\$ (55,852)</u>
Net assets, beginning of year	<u>\$ 1,104,244</u>	<u>\$ 1,178,636</u>	<u>\$ 74,392</u>
Total expenses	<u>\$ 2,792,110</u>	<u>\$ 2,810,650</u>	<u>\$ 18,540</u>
Net assets, end of year	<u>\$ 1,384,701</u>	<u>\$ 1,440,553</u>	<u>\$ 55,852</u>

12. RECLASSIFICATION

Certain accounts in the fiscal year 2018 financial statements have been reclassified for comparative purposes to conform with the presentation in the fiscal year 2019 financial statements. These reclassifications had no impact on net assets as of June 30, 2018.

DUGGER UNION COMMUNITY SCHOOL CORPORATION
OTHER REPORT
FOR THE YEAR ENDED JUNE 30, 2019

The reports presented herein were prepared in addition to another report prepared for the School as listed below:

Supplemental Audit Report of Dugger Union Community School Corporation