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May 10, 2023

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, 2021 to June 30, 2022. 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, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 25 and 26. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 28 through 30.

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

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

DUGGER UNION COMMUNITY
SCHOOL CORPORATION

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2022 AND 2021

GREENWALT^{CPAs}

We Deliver Peace of Mind

DUGGER UNION COMMUNITY SCHOOL CORPORATION

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JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Dugger Union Community School Corporation (an Indiana public charter school, "the School"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States of America, and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources and Guidelines for Audits for Charter Schools performed by Private Examiners* established by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued, when applicable.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, Government Auditing Standards, and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources and Guidelines for Audits for Charter Schools performed by Private Examiners*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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'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's internal control over financial reporting and compliance.

Greenwald CPAs, Inc.

January 30, 2023

DUGGER UNION COMMUNITY SCHOOLS CORPORATION
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash	\$ 2,643,597	\$ 2,001,929
Grants receivable	60,021	99,532
Prepaid expenses	41,798	57,696
	<u>2,745,416</u>	<u>2,159,157</u>
<i>Total current assets</i>		
PROPERTY AND EQUIPMENT		
Land	19,200	19,200
Building and improvements	1,560,288	890,895
Furniture and equipment	1,028,986	995,500
Textbooks	377,601	293,578
Vehicles	448,048	448,048
Construction in progress	-	132,492
Less: accumulated depreciation	(1,449,571)	(1,189,123)
	<u>1,984,552</u>	<u>1,590,590</u>
<i>Total property and equipment, net</i>		
RESTRICTED CASH	<u>37,332</u>	<u>37,335</u>
<i>Total assets</i>	<u>\$ 4,767,300</u>	<u>\$ 3,787,082</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current portion of notes payable	\$ 75,000	\$ 75,000
Accounts payable and accrued expenses	549,102	396,302
Deferred revenue	768	693
Funds held on behalf of others	7,332	7,335
	<u>632,202</u>	<u>479,330</u>
<i>Total current liabilities</i>		
LONG TERM LIABILITIES		
Notes payable, net of current portion and discount	<u>241,407</u>	<u>306,563</u>
<i>Total liabilities</i>	<u>873,609</u>	<u>785,893</u>
COMMITMENTS (NOTES 6 AND 9)		
NET ASSETS		
Without donor restrictions		
Undesignated	3,765,952	2,864,815
Board designated	30,000	30,000
	<u>3,795,952</u>	<u>2,894,815</u>
<i>Total net assets without donor restrictions</i>		
With donor restrictions	<u>97,739</u>	<u>106,374</u>
<i>Total net assets</i>	<u>3,893,691</u>	<u>3,001,189</u>
<i>Total liabilities and net assets</i>	<u>\$ 4,767,300</u>	<u>\$ 3,787,082</u>

DUGGER UNION COMMUNITY SCHOOLS CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT						
State education support	\$ 4,458,882	\$ -	\$ 4,458,882	\$ 4,287,472	\$ -	\$ 4,287,472
Grants	1,296,592	356,642	1,653,234	788,343	209,538	997,881
Contributions	30,424	-	30,424	18,811	-	18,811
Student fees, net of scholarships of \$16,700 and \$10,171 in 2022 and 2021, respectively	53,502	-	53,502	61,306	-	61,306
Special events, net of expense of \$33,127 and \$16,574 in 2022 and 2021, respectively	44,362	-	44,362	38,369	-	38,369
Other income	54,946	-	54,946	26,734	-	26,734
Net assets released from restriction	365,277	(365,277)	-	146,817	(146,817)	-
<i>Total revenue and support</i>	<u>6,303,985</u>	<u>(8,635)</u>	<u>6,295,350</u>	<u>5,367,852</u>	<u>62,721</u>	<u>5,430,573</u>
EXPENSES						
Program	3,926,941	-	3,926,941	3,342,408	-	3,342,408
Management & general	1,471,907	-	1,471,907	1,249,789	-	1,249,789
Fundraising	4,000	-	4,000	3,370	-	3,370
<i>Total expenses</i>	<u>5,402,848</u>	<u>-</u>	<u>5,402,848</u>	<u>4,595,567</u>	<u>-</u>	<u>4,595,567</u>
CHANGE IN NET ASSETS	901,137	(8,635)	892,502	772,285	62,721	835,006
NET ASSETS, BEGINNING OF YEAR	<u>2,894,815</u>	<u>106,374</u>	<u>3,001,189</u>	<u>2,122,530</u>	<u>43,653</u>	<u>2,166,183</u>
NET ASSETS, END OF YEAR	<u>\$ 3,795,952</u>	<u>\$ 97,739</u>	<u>\$ 3,893,691</u>	<u>\$ 2,894,815</u>	<u>\$ 106,374</u>	<u>\$ 3,001,189</u>

DUGGER UNION COMMUNITY SCHOOLS CORPORATION
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and wages	\$ 2,112,049	\$ 873,776	\$ -	\$ 2,985,825	\$ 1,926,852	\$ 743,907	\$ -	\$ 2,670,759
Employee benefits	488,115	252,097	-	740,212	468,017	173,220	-	641,237
Staff development	8,037	-	-	8,037	953	-	-	953
Professional services	122,932	76,848	-	199,780	84,055	70,542	-	154,597
Repairs and maintenance	43,327	-	-	43,327	40,631	-	-	40,631
Authorizer fees	-	113,036	-	113,036	-	109,825	-	109,825
Food	160,453	-	-	160,453	100,715	-	-	100,715
Advertising	-	14,051	-	14,051	-	7,462	-	7,462
Student transportation	80,074	-	-	80,074	34,242	-	-	34,242
Travel	1,189	-	-	1,189	13,341	2,297	-	15,638
Classroom, kitchen, and office supplies	148,039	29,713	-	177,752	77,185	21,719	-	98,904
Occupancy	272,079	15,686	-	287,765	154,096	13,072	-	167,168
Depreciation	260,448	-	-	260,448	274,768	-	-	274,768
Information technology	162,919	-	-	162,919	85,286	-	-	85,286
Extra-curricular	67,052	-	-	67,052	47,540	-	-	47,540
Interest	-	13,782	-	13,782	-	17,680	-	17,680
Insurance	-	68,771	-	68,771	-	63,044	-	63,044
Donation	-	-	4,000	4,000	-	-	3,370	3,370
Bad debt	-	5,745	-	5,745	-	22,540	-	22,540
COVID-19 instructional	-	-	-	-	34,727	-	-	34,727
Other	228	8,402	-	8,630	-	4,481	-	4,481
	<u>3,926,941</u>	<u>1,471,907</u>	<u>4,000</u>	<u>5,402,848</u>	<u>3,342,408</u>	<u>1,249,789</u>	<u>3,370</u>	<u>4,595,567</u>
Special events expense netted with revenue	-	-	33,127	33,127	-	-	16,574	16,574
<i>Total functional expenses</i>	<u>\$ 3,926,941</u>	<u>\$ 1,471,907</u>	<u>\$ 37,127</u>	<u>\$ 5,435,975</u>	<u>\$ 3,342,408</u>	<u>\$ 1,249,789</u>	<u>\$ 19,944</u>	<u>\$ 4,612,141</u>

DUGGER UNION COMMUNITY SCHOOLS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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NET CHANGE IN CASH

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from the State, grants, and other	\$ 6,334,930	\$ 5,462,319
Cash paid to employees and vendors	(5,074,307)	(4,248,158)
Interest paid	(3,938)	(5,961)
	<u>1,256,685</u>	<u>1,208,200</u>
<i>Net cash provided by operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(540,020)	(460,892)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(75,000)	(111,518)
NET INCREASE IN CASH	641,665	635,790
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>2,039,264</u>	<u>1,403,474</u>
CASH AND RESTRICTED CASH, END OF YEAR	2,680,929	2,039,264
LESS RESTRICTED CASH, END OF YEAR	<u>(37,332)</u>	<u>(37,335)</u>
CASH, END OF YEAR	<u>\$ 2,643,597</u>	<u>\$ 2,001,929</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Property and equipment purchases in accounts payable	<u>\$ 230,000</u>	<u>\$ 115,610</u>
Discount on loan payable	<u>\$ 9,844</u>	<u>\$ 11,719</u>

DUGGER UNION COMMUNITY SCHOOLS CORPORATION

STATEMENTS OF CASH FLOWS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Page 2 of 2

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

	<u>2022</u>	<u>2021</u>
CHANGE IN NET ASSETS	\$ 892,502	\$ 835,006
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	260,448	274,768
Discount on loan payable	9,844	11,719
<i>(Increase) decrease in operating assets</i>		
Grants receivable	39,511	31,827
Prepaid expenses	15,898	(17,802)
<i>Increase (decrease) in operating liabilities</i>		
Accounts payable and accrued expenses	38,410	72,761
Deferred revenue	75	(77)
Funds held on behalf of others	(3)	(2)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,256,685</u>	<u>\$ 1,208,200</u>

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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. Those 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, 2022 and 2021. The School maintained cash in excess of Federal Deposit Insurance Corporation (FDIC) limits of approximately \$2,400,000 and \$1,800,000 at June 30, 2022 and 2021, 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 for uncollectible receivables as of June 30, 2022 and 2021. All grants receivable are due within one year.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased, or, at the estimated fair value at the date of the gift, if contributed. The School capitalizes additions of property and equipment in excess of \$5,000 that have a useful life or extend the useful life greater than one year. 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.

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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 8), 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. Cash held on behalf of others for an annual math scholarship was \$7,332 and \$7,335 and is included in restricted cash at June 30, 2022 and 2021, respectively.

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 8 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, 2022 and 2021, the School held \$30,000 in escrow which has 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 statements of activities as net assets released from restrictions. See Notes 4 and 5.

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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 \$14,051 and \$7,462 for fiscal years 2022 and 2021, 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 expenses, 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.

NEW ACCOUNTING PRONOUNCEMENT

In fiscal year 2022, the School adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received.

SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through January 30, 2023, which is the date these financial statements were available to be issued.

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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:

Financial assets at year-end	<u>2022</u>	<u>2021</u>
Cash and restricted cash	\$ 2,680,929	\$ 2,039,264
Grants receivable	<u>60,021</u>	<u>99,532</u>
Total financial assets	<u>2,740,950</u>	<u>2,138,796</u>
Less amounts not available to be used within one year		
Restricted cash	(37,332)	(37,335)
Net assets with donor restrictions	<u>(97,739)</u>	<u>(106,374)</u>
Financial assets not available to be used within one year	<u>(135,071)</u>	<u>(143,709)</u>
Financial assets available for general expenditure within one year	<u>\$ 2,605,879</u>	<u>\$ 1,995,087</u>

3. NOTES PAYABLE

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 statements reflects the future payments discounted at an imputed interest rate of 3.5%, which was the School's long-term borrowing rate at loan inception. The balance on the loan at June 30, 2022 and 2021 was \$337,500 and \$412,500, net of unamortized discounts of \$21,093 and \$30,937, respectively.

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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:

2023	\$	75,000
2024		75,000
2025		75,000
2026		75,000
2027		<u>37,500</u>
Total loan and note payable		337,500
Less: current portion		(75,000)
Less: discount on loan payable		<u>(21,093)</u>
Long term portion	\$	<u><u>241,407</u></u>

4. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
School lunch program	\$ 76,646	\$ 62,004
Textbook program	-	7,066
Below-market interest rate loan	21,093	30,937
FEMA COVID relief	<u>-</u>	<u>6,367</u>
Total	<u><u>\$ 97,739</u></u>	<u><u>\$ 106,374</u></u>

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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>2022</u>	<u>2021</u>
Textbook fund	\$ 48,453	\$ -
Below-market interest rate loan	9,844	11,719
School lunch program	300,613	94,825
Formative assessment	-	4,428
Indiana literacy	-	1,653
Counseling and intervention funds	-	34,192
FEMA COVID relief	6,367	-
Total	<u>\$ 365,277</u>	<u>\$ 146,817</u>

6. OPERATING LEASES

The School leases office equipment under operating leases with various expiration dates through July 2026. Total expense under operating leases for fiscal years 2022 and 2021 was \$3,544 and \$5,249, respectively.

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

2023	\$ 4,701
2024	3,307
2025	520
2026	520
	<u>\$ 9,048</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 5.5% of compensation for electing teaching faculty to TRF and 11.2% of compensation for other electing employees to PERF in 2022 and 2021. For TRF, the School also contributes a discretionary 1.35% above the state-imposed requirement.

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

7. RETIREMENT PLANS, CONTINUED

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 and PERF. As of June 30, 2021 (the latest year reported), both TRF and PERF were 89% funded. A copy of the complete annual report for the year ended June 30, 2021 can be obtained at:

https://www.in.gov/inprs/files/INPRSAnnualReport2021_IntroductorySection.pdf

Retirement plan expense was \$212,066 and \$200,542 for the years ended June 30, 2022 and 2021, respectively.

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	Assistance Listing Number	Revenue	Expense	Funding Type
National Breakfast Program	Indiana Department of Education	10.553	\$ 93,227	\$ 93,227	Federal grant passed through state or local government
National School Lunch Program	Indiana Department of Education	10.555	203,765	207,387	Federal grant passed through state or local government
Title I, Part A Cluster	Indiana Department of Education	84.010	107,926	107,926	Federal grant passed through state or local government
Special Education Cluster (IDEA, Part B)	Indiana Department of Education	84.027	144,051	144,051	Federal grant passed through state or local government
Rural Education Grant	Indiana Department of Education	84.358A	38,256	38,256	Federal grant passed through state or local government
Title II, Part A – Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	28,389	28,389	Federal grant passed through state or local government
Title IV, Part A, Student Support and Academic Enrichment Program	Indiana Department of Education	84.424	12,619	12,619	Federal grant passed through state or local government
Governor's Emergency Relief (GEER) Fund (Education Stabilization Fund)	Indiana Department of Education	84.425C	21,165	21,165	State or Local Government
Education Stabilization Fund - American Rescue Plan – Elementary and Secondary Emergency Relief Fund	Indiana Department of Education	84.425D	392,684	392,684	Federal grant passed through state or local government

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

8. FEDERAL, STATE, AND LOCAL GRANT AWARDS, CONTINUED

Excellence in Performance	Indiana Department of Education	N/A	19,666	19,666	State or Local Government
Summer School Reimbursement	Indiana Department of Education	N/A	562	562	State or Local Government
Gifted and Talented Students Education	Indiana Department of Education	N/A	23,049	23,049	State or Local Government
Early Intervention Grant	Indiana Department of Education	N/A	1,302	1,302	State or Local Government
State Curriculum Materials	Indiana Department of Education	N/A	30,723	30,723	State or Local Government
Basic Tuition Support	Indiana Department of Education	N/A	4,458,882	4,458,882	State or Local Government
Charter Facility Grant	Indiana Department of Education	N/A	527,000	527,000	State or Local Government
State Lunch Match	Indiana Department of Education	N/A	1,725	1,725	State or Local Government
			\$ 6,104,991	\$ 6,108,613	

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 \$113,036 and \$109,825 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until May 31, 2027 and is renewable thereafter by mutual consent.

In June 2022, the School committed to an upgrade of round 2 of the HVAC system in the total amount of \$279,000. As of June 30, 2022, approximately \$230,000 of the project was complete and recorded as a liability. The upgrade was completed in August 2022.

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.

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

10. RISKS AND UNCERTAINTIES, CONTINUED

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In fiscal years 2022 and 2021, 97.1% and 97.3% of the School's revenue came from the Indiana Department of Education, respectively. Furthermore, at June 30, 2022 and 2021, substantially all of the grants receivable balance was due from the State of Indiana.

DUGGER UNION COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	ASSISTANCE LISTING NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Indiana Department of Education			
<u>Child Nutrition Cluster</u>			
National School Lunch Program	10.555	N/A	\$ 207,387
School Breakfast Program	10.553		93,227
			300,614
<i>Total Child Nutrition Cluster, Indiana Department of Education, and U.S. Department of Agriculture</i>			
U.S. DEPARTMENT OF EDUCATION			
Passed through the Indiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	S367A180013/S010A210014	107,926
			107,926
<i>Total Title I, Part A</i>			
Special Education Cluster (IDEA)			
Special Education Grants to States (IDEA, Part B)	84.027	H027X210084	110,896
Special Education Preschool Grants	84.173	H173X210104	33,155
			144,051
<i>Total Special Education Cluster (IDEA)</i>			
Rural Education Grant	84.358A	S358A211168	38,256
Supporting Effective Instruction State Grants	84.367	7000-S367A210013	28,389
Student Support and Academic Enrichment Program	84.424	S424A210015	12,619
Education Stabilization Fund			
COVID-19 The Governor's Emergency Education Relief Fund	84.425C	S425C200008	21,165
COVID -19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	S425D200013	270,143
COVID -19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	S425U210013	122,541
			413,849
<i>Total Education Stabilization Fund</i>			
			745,090
<i>Total Indiana Department of Education and U.S. Department of Education</i>			
			\$ 1,045,704

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the school.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The School has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance except for federal awards granted by the US Department of Education. The US Department of Education requires a de minimis indirect cost rate of 8-percent.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the 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 of America, the financial statements of Dugger Union Community School Corporation (the "School"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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's financial statements 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 the 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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as finding 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as findings 2022-001 and 2022-002.

School's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements 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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greenwald CPAs, Inc.

January 30, 2023



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Dugger Union Community School Corporation's (the "School") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on U.S. Department of Education, Education Stabilization Fund 84.425C, 84.425D, 84.425U

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the U.S. Department Of Education, Education Stabilization Fund 84.425C, 84.425D, 84.425U for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School 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 auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America (Government Auditing Standards); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on the Education Stabilization Funds Program

As described in the accompanying schedule of findings and questioned costs, the School did not comply with Education Stabilization Fund as described in finding number 2022 – 003 for procurement and suspension and debarment.

Compliance with such requirements is necessary, in our opinion, for the School to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 findings 2022-002 and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the School's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questions costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022 - 002 and 2022 - 003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the School's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other 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.

Greenwald CPAs, Inc.

January 30, 2023

DUGGER UNION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDIT RESULTS

Financial Statements

- | | | |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| Material weakness(es) identified? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no |
| Significant deficiency(ies) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |
| 3. Noncompliance material to financial statements noted? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no |

Federal Awards

- | | | |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| 4. Internal control over major federal programs: | | |
| Material weakness(es) identified? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no |
| Significant deficiency(ies) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |
| 5. Type of auditors' report issued on compliance for major federal programs: | Qualified | |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no |
| 7. Identification of major program: | <u>Assistance Listing Numbers</u>
84.425C, 84.425D, 84.425U
10.553, 10.555 | <u>Name of Federal Program or Cluster</u>
Education Stabilization Fund
Child Nutrition Cluster |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$ | 750,000 |
| 9. Auditee qualified as low-risk auditee? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2022-001

Criteria: Pursuant to 2 CFR Subpart D Section 200.303(a), the School is required to 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). All account reconciliations and schedules should tie to general ledger balances prior to being provided as support for audit documentation.

Condition: During the audit, the reconciliation provided in support of the cash and accounts receivable balances did not agree to the balance recorded in the general ledger. Additionally, a credit card payable amount was not recorded in the general ledger but was identified as a result of audit procedures.

Cause: The School does not appear to have an effective internal control process in place to track the dates of expenditures or reconcile accounts to recognize amounts in the proper period.

Effect: Cumulative audit adjustments were made to reduce net income by \$97,197.

Recommendation: We recommend that the School perform year-end cutoff procedures, including review of significant balance sheet accounts, subsequent cash disbursements, and tracking of grant award amounts in order to identify and recognize revenue from grants promised prior to year-end.

View of responsible officials: See attached corrective action plan.

Finding 2022-002

Criteria: According to 2 CFR Subpart F Section 200.510b, the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period that includes all amounts spent on federal programs during the reporting period.

Condition: The Schedule of Expenditures of Federal Awards (SEFA) was materially understated by \$33,592.

Cause: This was the School's first single audit and the first time for the School's accountant to prepare the SEFA. The School does not have a process in place for School Administrative personnel who are familiar with the School's grants to review the SEFA for accuracy and completeness.

Effect: An audit adjustment was made to increase the reported amount on the SEFA for the Rural Education Grant (84.358A) by \$38,256 and reduce the reported amount on the SEFA for the Special Education Grants (84.027) by \$8,288. The increase in expenditures resulted in the need to select a second federal award for testing.

Recommendation: We recommend that the School's accountant work with administrative personnel to identify all awards from federal sources and implement a process whereby School administrative personnel review the SEFA prepared by the accountant. In addition, we recommend that the accountant reconcile federal award expenditures to the claims that were filed for the year.

View of responsible officials: See attached corrective action plan.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding 2022-002: See section B.

Finding 2022-003

Identification of federal program: US DEPARTMENT OF EDUCATION 84.425C, 84.425D, and 84.425U Education Stabilization Fund

Criteria: Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction) (2 CFR section 200.327; Appendix II.D. to 2 CFR Part 200). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6; the A-102 Common Rule (section 36(i)(5)); OMB Circular A-110 (2 CFR Part 215, Appendix A, Contract Provisions); 2 CFR Part 176, Subpart C; and 2 CFR section 200.327).

Condition: An LEA must use ESF funds for minor remodeling, renovation or construction contracts that are over \$2,000 and use laborers and mechanics that must meet Davis-Bacon prevailing wage requirements.

Cause: The School failed to timely notify a certain contractor about the Davis-Bacon Act contract clause requirements related to the prevailing wage rate for contractors and subcontractors. As a result, the contractor did not provide the certified payrolls or statement of compliance.

Potential effect: The contractor may not have complied with the wage requirements.

Questioned costs: \$214,717

Context: A total sample of one (1) of four (4) items related to a certain contractor's HVAC project was selected as a part of procurement and suspension and debarment compliance requirement testing for the Education Stabilization Fund.

Recommendation: We recommend that the School provide timely communication related to the prevailing wage rate requirements for contracts with future contractors and subcontractors. The School should also ensure that the proper prevailing wage rate clauses are included in future contracts. We further recommend that the School ensure the contractors and subcontractors compliance with the required federal compliance requirements.

Views of Responsible Officials: See attached Corrective Action Plan.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

DUGGER UNION COMMUNITY SCHOOL CORPORATION
OTHER REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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



DUGGER UNION COMMUNITY SCHOOL

Corrective Action Plan

Cognizant or Oversight Agency for Audit

Dugger Union Community School Corporation respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

Greenwalt CPAs
5342 West Vermont Street
Indianapolis, IN 46224

Audit Period:

July 1, 2021 – June 30, 2022

The findings from the June 30, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings – Financial Statement Audit

Finding 2022-001

Criteria: All account reconciliations and schedules should tie to general ledger balances prior to being provided as support for audit documentation.

Condition: During the audit, the reconciliation provided in support of the cash and accounts receivable balances did not agree to the balance recorded in the general ledger. Additionally, a credit card payable amount was not recorded in the general ledger but was identified as a result of audit procedures.

Cause: The School does not appear to have an effective internal control process in place to track the dates of expenditures or reconcile accounts to recognize amounts in the proper period.

Effect: Cumulative audit adjustments were made to reduce net income by \$97,197.

Recommendation: We recommend that the School perform year-end cutoff procedures, including review of significant balance sheet accounts, subsequent cash disbursements, an tracking of grant award amounts in order to identify and recognize revenue from grants promised prior to year-end.

Action Taken: As of the date of the exit conference, we have incorporated a review of all invoices and grant reimbursement claims subsequent to month and year-end to ensure the transactions are recorded in the correct period. In addition to providing a monthly report of grant receipts and expenditures, we will also institute an in-person quarterly review of each award with the responsible party to ensure costs are appropriately allocated and reimbursements requested.

Finding 2022-0002

Criteria: According to 2 CFR Subpart F Section 200.510b, the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period that includes all amounts spent on federal programs during the reporting period.

Condition: The Schedule of Expenditures of Federal Awards (SEFA) was materially understated by \$33,592.

Cause: This was the School's first single audit and the first time for the School's accountant to prepare the SEFA. The School does not have a process in place for School Administrative personnel who are familiar with the School's grants to review the SEFA for accuracy and completeness.

Effect: An audit adjustment was made to increase the reported amount on the SEFA for the Rural Education Grant (84.358A) by \$38,256 and reduce the reported amount on the SEFA for the Special Education Grants (84.027) by \$8,288. The increase in expenditures resulted in the need to select a second federal award for testing.

Recommendation: We recommend that the School's accountant work with administrative personnel to identify all awards from federal sources and implement a process whereby School administrative personnel review the SEFA prepared by the accountant. In addition, we recommend that the accountant reconcile federal award expenditures to the claims that were filed for the year.

Action Taken: As of the date of the exit conference, we will institute an in-person quarterly review of each award with the responsible party to ensure costs are appropriately allocated and reimbursements requested. As part of this quarterly review, we will identify the source of the award, year-to-date expenses, grant budget and year-to-date reimbursement claims submitted. The accountant will reconcile federal award expenditures to the claims filed for the year. Furthermore, at year-end, the SEFA will be prepared by the accountant and reviewed by the appropriate administrative personnel for completeness and accuracy.

Finding 2022-0003

Identification of federal program: US Department of Education 84.425C, 84.425D and 84.425U
Education Stabilization Fund

Criteria: Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or

subcontractor comply with those requirements and the DOL regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction) (2CFR section 200.327; Appendix II D to 2 CFR Part 200). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payroll) (29 CFR section 5.5 and 5.6; the A-102 Common Rule(section 36(i)(5)): OMB Circular A-110 (2 CFR Part 215, Appendix A, Contract Provisions); 2 CFR Part 176, Subpart C; and 2 CFR section 200.327).

Condition: A LEA must use ESF funds for minor remodeling, renovation or construction contracts that are over \$2,000 and use laborers and mechanics that must meet Davis-Bacon prevailing wage requirements.

Cause: The School failed to timely notify a certain contractor about the Davis-Bacon Act contract clause requirements related to the prevailing wage rate for contractors and subcontractors. As a result, the contractor did not provide the certified payrolls or statement of compliance.

Potential Effect: The contractor may not have complied with the wage requirements.

Questioned costs: \$214,716.62.

Context: A total sample of one (1) item related to a certain contractors HVAC project was selected as part of allowable cost testing for the Education Stabilization Fund.

Recommendation: We recommend that the School provide timely communication related to the prevailing wage rate requirements for contracts with future contractors and subcontractors. The School should also ensure that the proper prevailing wage rate clauses are included in future contracts. We further recommend that the School ensure the contractors and subcontractors compliance with the required federal compliance requirements.

Action: We concur with the recommendation and will implement the appropriate language identifying the prevailing wage rate requirements in future contracts with both contractors and subcontractors. Furthermore, certified payrolls and statements of compliance will be required and tracked for each project.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Simpson', written over a horizontal line.

Darin Simpson
Jr/Sr High Administrator