

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MIDDLEBURY COMMUNITY SCHOOLS
ELKHART COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
06/07/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mark D. Snyder	01-01-16 to 12-31-19
Superintendent of Schools	Jane A. Allen	07-01-15 to 06-30-21
President of the School Board	David Black Joanna King	01-01-16 to 11-19-18 11-20-18 to 12-31-19



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MIDDLEBURY COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

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


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 2019, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

May 2, 2019



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE MIDDLEBURY COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Middlebury Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated May 2, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, that we consider to be material weaknesses.

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

Compliance and Other Matters


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

Middlebury Community Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

May 2, 2019

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 4,457,921	\$ 28,611,142	\$ 28,700,300	\$ -	\$ 4,368,763	\$ 28,876,278	\$ 29,568,193	\$ -	\$ 3,676,848
Debt Service	4,382,088	8,761,061	8,729,463	-	4,413,686	9,240,512	9,892,382	-	3,761,816
Capital Projects	1,818,639	3,471,049	3,438,912	-	1,850,776	3,544,471	3,277,595	-	2,117,652
School Transportation	1,958,820	2,311,190	1,765,703	-	2,504,307	2,490,025	1,883,843	-	3,110,489
School Bus Replacement	557,435	474,011	422,889	-	608,557	500,324	846,053	-	262,828
Rainy Day	4,132,148	-	-	-	4,132,148	-	-	-	4,132,148
Retirement/Severance Bond	448,492	539	-	-	449,031	539	-	-	449,570
Construction	10,449	-	-	-	10,449	-	10,449	-	-
2013 GOB Facility Improvement	57,892	-	-	-	57,892	-	-	-	57,892
2015 Refunded Construction	723,475	-	558,602	-	164,873	-	36,625	-	128,248
2016 HIS Café/Improvements	-	-	-	420,000	420,000	-	335,668	-	84,332
School Lunch	794,432	2,012,991	2,493,343	-	314,080	2,060,981	2,130,368	-	244,693
Textbook Rental	458,371	349,820	629,656	-	178,535	380,844	182,510	-	376,869
Self-Insurance	1,996,802	4,566,264	5,002,998	-	1,560,068	4,663,998	4,043,347	-	2,180,719
Educational License Plates	638	413	544	-	507	225	713	-	19
Alternative Education	12,258	10,946	-	-	23,204	9,392	-	-	32,596
Lilly Counseling Grant	-	29,853	23,201	-	6,652	-	5,050	-	1,602
Lilly Comprehensive Counseling	-	-	-	-	-	452,904	55,525	-	397,379
Frank Moriam Miller Gift	465	-	-	-	465	250	-	-	715
Grow Garden Prize	-	750	135	-	615	900	1,185	-	330
Formative Assessment	11,173	59,074	27,141	-	43,106	55,464	98,571	-	(1)
Bikes/Henkel Grant Winner	574	-	280	-	294	-	-	-	294
High Ability 2016-2017	-	44,589	20,991	-	23,598	-	23,598	-	-
High Ability 2017-2018	-	-	-	-	-	44,819	23,289	-	21,530
Teacher Quality Improvement Program	-	15,000	15,000	-	-	-	-	-	-
Instructional Support	(440)	-	(440)	-	-	-	-	-	-
Early Childhood Intervention (First Steps)	18,400	-	15,100	-	3,300	21,092	24,392	-	-
Medicaid Reimbursement	140,171	93,416	42,540	-	191,047	80,164	136,977	-	134,234
Secured Schools Safety Grant	2,800	-	-	-	2,800	-	-	-	2,800
Non-English Speaking Programs	788	-	538	-	250	-	-	-	250

MIDDLEBURY COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
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For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
NESP 2015-2016	(3,568)	-	(3,568)	-	-	-	-	-	-
NESP 2016-2017	-	69,248	48,239	-	21,009	-	21,009	-	-
NESP 2017-2018	-	-	-	-	-	72,995	66,578	-	6,417
School Technology	4,711	10,628	9,882	-	5,457	15,810	10,731	-	10,536
Career and Technical Performance Grant	-	13,406	9,195	-	4,211	9,913	4,199	-	9,925
H/A 2015-2016	24,631	-	24,631	-	-	-	-	-	-
Coordinated Sch. Health Prog	441	-	400	-	41	-	-	-	41
No Excuses University	500	-	440	-	60	-	-	-	60
Excess PTRC Distributions	97	-	-	-	97	-	-	-	97
Title I 2016-2017	-	335,108	405,667	-	(70,559)	129,054	58,496	-	(1)
Title I 2017-2018	-	-	-	-	-	341,388	405,747	-	(64,359)
Title I 2015-2016	(102,349)	173,088	70,738	-	1	-	-	-	1
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	(5,030)	-	-	-	(5,030)	5,030	-	-	-
Title II-A 2015-2016	(13,524)	122,341	108,818	-	(1)	-	-	-	(1)
Title II-A 2016-17	-	18,370	37,462	-	(19,092)	100,374	81,281	-	1
Title II-A 2017-2018	-	-	-	-	-	23,311	54,645	-	(31,334)
Title III 2015-2016	(10,236)	10,236	1,345	-	(1,345)	11,521	10,176	-	-
Title III 2017-2018	-	-	-	-	-	30,002	36,065	-	(6,063)
Title III 2016-2017	-	45,825	48,034	-	(2,209)	5,150	2,941	-	-
Title III NESP 2014-2015	-	4,108	4,108	-	-	-	-	-	-
Payroll Clearing Account	159,878	22,878,324	22,872,667	-	165,535	22,922,963	22,837,907	-	250,591
Prepaid Food	68,039	374,310	371,405	-	70,944	429,745	438,990	-	61,699
MCS Clearing Account	26,772	17,771	7,983	-	36,560	6,136	1,331	-	41,365
Clearing Account Employer	(622)	23,092	23,469	-	(999)	22,494	22,274	-	(779)
Student Purchased Laptop Ins	-	26,798	-	-	26,798	27,135	-	-	53,933
Totals	<u>\$ 22,133,531</u>	<u>\$ 74,934,761</u>	<u>\$ 75,927,811</u>	<u>\$ 420,000</u>	<u>\$ 21,560,481</u>	<u>\$ 76,576,203</u>	<u>\$ 76,628,703</u>	<u>\$ -</u>	<u>\$ 21,507,981</u>

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Negative Receipts and Disbursements

The financial statement contains some receipts and disbursements which appear as negative entries. This is a result of expenditures exceeding grant receipts in prior periods. Corrections were made in the current audit period.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of grants being reimbursement based. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2017 and 2018. On occasion, clearing accounts can have negative balances while waiting to receive outstanding invoices.

Note 9. Holding Corporation

The School Corporation has entered into capital leases with Middlebury Schools Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. The following lease payments were made during the audit period:

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

- Lease payments during fiscal year 2016, MCS First Mortgage Refunding Bonds, Series 2015 (High School Classrooms Refunded), totaled \$6,368,500, and fiscal year 2017 totaled \$6,371,000.
- Lease payments during fiscal year 2016 and fiscal year 2017 for MCS First Mortgage Refunding Bonds, Series 2016 (Auditorium and Pool), totaled \$826,500 and \$406,000, respectively.
- Lease payments for the MCS First Mortgage Bonds, Series 2017, totaled \$1,250,000 during fiscal year 2017.
- Lease payments during fiscal year 2016 and fiscal year 2017 for MCS First Mortgage Bonds, Series 2016 (HIS Improvements), totaled \$473,000 and \$805,000, respectively.
- Lease payments during fiscal year 2016 and fiscal year 2017 for Ad Valorem Property First Mortgage Refunding Bonds, Series 2011 (JES improvements), totaled \$1,057,462.50 and \$1,056,381.25, respectively.

Note 10. Subsequent Event

The School Corporation plans to enter into a capital lease with Middlebury Schools Building Corporation sometime in 2019 totaling \$15,000,000 for outdoor facility construction and improvements. The current plan is a repayment over 5 years, beginning in 2020.

Note 11. Other Postemployment Benefits

All retirees and their spouses, if eligible, may receive medical benefits under the Middlebury Community Schools Group Health Plan, which is a self-insurance plan. The retiree is responsible for paying the full cost of the benefit. A full cost premium is determined annually. The actual benefits provided under the self-insurance plan may be more or less than the premium charged. The annual premiums charged for fiscal year 2017 were \$6,470 for single coverage, \$19,409 for family coverage, \$14,233 for employee and spouse, and \$12,939 for employee and children. The premiums charged for fiscal year 2018 were \$6,922 for single coverage, \$20,768 for family coverage, \$15,229 for employee and spouse, and \$13,845 for employee and children.

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OTHER INFORMATION - UNAUDITED

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

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

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

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/Severance Bond	Construction	2013 GOB Facility Improvement	2015 Refunded Construction	2016 HIS Caf�/Improvements
Cash and investments - beginning	\$ 4,457,921	\$ 4,382,088	\$ 1,818,639	\$ 1,958,820	\$ 557,435	\$ 4,132,148	\$ 448,492	\$ 10,449	\$ 57,892	\$ 723,475	\$ -
Receipts:											
Local sources	608,319	8,761,061	3,471,049	2,275,848	474,011	-	539	-	-	-	-
Intermediate sources	290	-	-	-	-	-	-	-	-	-	-
State sources	27,223,280	-	-	-	-	-	-	-	-	-	-
Federal sources	779,253	-	-	35,342	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	28,611,142	8,761,061	3,471,049	2,311,190	474,011	-	539	-	-	-	-
Disbursements:											
Instruction	20,225,832	-	-	-	-	-	-	-	-	-	-
Support services	7,853,949	-	1,814,245	1,765,703	422,889	-	-	-	-	47,291	-
Noninstructional services	620,451	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	68	-	1,344,822	-	-	-	-	-	-	511,311	-
Debt service	-	8,729,463	279,845	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	28,700,300	8,729,463	3,438,912	1,765,703	422,889	-	-	-	-	558,602	-
Excess (deficiency) of receipts over disbursements	(89,158)	31,598	32,137	545,487	51,122	-	539	-	-	(558,602)	-
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	420,000
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	420,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(89,158)	31,598	32,137	545,487	51,122	-	539	-	-	(558,602)	420,000
Cash and investments - ending	\$ 4,368,763	\$ 4,413,686	\$ 1,850,776	\$ 2,504,307	\$ 608,557	\$ 4,132,148	\$ 449,031	\$ 10,449	\$ 57,892	\$ 164,873	\$ 420,000

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

	School Lunch	Textbook Rental	Self-Insurance	Educational License Plates	Alternative Education	Lilly Counseling Grant	Lilly Comprehensive Counseling	Frank Moriam Miller Gift	Grow Garden Prize	Formative Assessment	Bikes/Henkel Grant Winner	High Ability 2016-2017
Cash and investments - beginning	\$ 794,432	\$ 458,371	\$ 1,996,802	\$ 638	\$ 12,258	\$ -	\$ -	\$ 465	\$ -	\$ 11,173	\$ 574	\$ -
Receipts:												
Local sources	1,170,707	248,366	4,566,264	-	-	29,853	-	-	750	-	-	-
Intermediate sources	-	-	-	413	-	-	-	-	-	-	-	-
State sources	33,076	101,454	-	-	10,946	-	-	-	-	59,074	-	44,589
Federal sources	809,208	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	2,012,991	349,820	4,566,264	413	10,946	29,853	-	-	750	59,074	-	44,589
Disbursements:												
Instruction	-	-	-	544	-	-	-	-	-	-	280	20,991
Support services	127,896	629,656	-	-	-	23,201	-	-	-	27,141	-	-
Noninstructional services	2,096,097	-	-	-	-	-	-	-	135	-	-	-
Facilities acquisition and construction	200,064	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	69,286	-	5,002,998	-	-	-	-	-	-	-	-	-
Total disbursements	2,493,343	629,656	5,002,998	544	-	23,201	-	-	135	27,141	280	20,991
Excess (deficiency) of receipts over disbursements	(480,352)	(279,836)	(436,734)	(131)	10,946	6,652	-	-	615	31,933	(280)	23,598
Other financing sources (uses):												
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(480,352)	(279,836)	(436,734)	(131)	10,946	6,652	-	-	615	31,933	(280)	23,598
Cash and investments - ending	\$ 314,080	\$ 178,535	\$ 1,560,068	\$ 507	\$ 23,204	\$ 6,652	\$ -	\$ 465	\$ 615	\$ 43,106	\$ 294	\$ 23,598

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

	High Ability 2017-2018	Teacher Quality Improvement Program	Instructional Support	Early Childhood Intervention (First Steps)	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs	NESP 2015-2016	NESP 2016-2017	NESP 2017-2018	School Technology	Career and Technical Performance Grant
Cash and investments - beginning	\$ -	\$ -	\$ (440)	\$ 18,400	\$ 140,171	\$ 2,800	\$ 788	\$ (3,568)	\$ -	\$ -	\$ 4,711	\$ -
Receipts:												
Local sources	-	-	-	-	90,537	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	-
State sources	-	15,000	-	-	2,879	-	-	69,248	-	-	10,628	13,406
Federal sources	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	-	15,000	-	-	93,416	-	-	69,248	-	-	10,628	13,406
Disbursements:												
Instruction	-	-	-	-	7,169	-	538	(3,568)	48,239	-	-	-
Support services	-	-	(440)	14,000	28,493	-	-	-	-	-	9,882	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	15,000	-	1,100	6,878	-	-	-	-	-	-	9,195
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	15,000	(440)	15,100	42,540	-	538	(3,568)	48,239	-	9,882	9,195
Excess (deficiency) of receipts over disbursements	-	-	440	(15,100)	50,876	-	(538)	3,568	21,009	-	746	4,211
Other financing sources (uses):												
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	440	(15,100)	50,876	-	(538)	3,568	21,009	-	746	4,211
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 3,300	\$ 191,047	\$ 2,800	\$ 250	\$ -	\$ 21,009	\$ -	\$ 5,457	\$ 4,211

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

	H/A 2015-2016	Coordinated Sch. Health Prog	No Excuses University	Excess PTRC Distributions	Title I 2016-2017	Title I 2017-2018	Title I 2015-2016	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Title II-A 2015-2016	Title II-A 2016-17	Title II-A 2017-2018	Title III 2015-2016
Cash and investments - beginning	\$ 24,631	\$ 441	\$ 500	\$ 97	\$ -	\$ -	\$ (102,349)	\$ (5,030)	\$ (13,524)	\$ -	\$ -	\$ (10,236)
Receipts:												
Local sources	-	-	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-	-	10,236
Federal sources	-	-	-	-	335,108	-	173,088	-	122,341	18,370	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	335,108	-	173,088	-	122,341	18,370	-	10,236
Disbursements:												
Instruction	24,631	-	-	-	300,336	-	54,611	-	457	-	-	1,948
Support services	-	400	440	-	104,281	-	15,045	-	108,361	37,462	-	(603)
Noninstructional services	-	-	-	-	1,050	-	1,082	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	24,631	400	440	-	405,667	-	70,738	-	108,818	37,462	-	1,345
Excess (deficiency) of receipts over disbursements	(24,631)	(400)	(440)	-	(70,559)	-	102,350	-	13,523	(19,092)	-	8,891
Other financing sources (uses):												
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(24,631)	(400)	(440)	-	(70,559)	-	102,350	-	13,523	(19,092)	-	8,891
Cash and investments - ending	\$ -	\$ 41	\$ 60	\$ 97	\$ (70,559)	\$ -	\$ 1	\$ (5,030)	\$ (1)	\$ (19,092)	\$ -	\$ (1,345)

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

	Title III 2017-2018	Title III 2016-2017	Title III NESP 2014-2015	Payroll Clearing Account	Prepaid Food	MCS Clearing Account	Clearing Account Employer	Student Purchased Laptop Ins	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 159,878	\$ 68,039	\$ 26,772	\$ (622)	\$ -	\$ 22,133,531
Receipts:									
Local sources	-	-	-	-	-	-	-	-	21,697,304
Intermediate sources	-	-	-	-	-	-	-	-	703
State sources	-	45,825	4,108	-	-	-	-	-	27,643,749
Federal sources	-	-	-	-	-	-	-	-	2,272,710
Other receipts	-	-	-	22,878,324	374,310	17,771	23,092	26,798	23,320,295
Total receipts	-	45,825	4,108	22,878,324	374,310	17,771	23,092	26,798	74,934,761
Disbursements:									
Instruction	-	48,034	4,108	-	-	-	-	-	20,734,150
Support services	-	-	-	-	-	-	-	-	13,029,292
Noninstructional services	-	-	-	-	-	-	-	-	2,718,815
Facilities acquisition and construction	-	-	-	-	-	-	-	-	2,088,438
Debt service	-	-	-	-	-	-	-	-	9,009,308
Nonprogrammed charges	-	-	-	22,872,667	371,405	7,983	23,469	-	28,347,808
Total disbursements	-	48,034	4,108	22,872,667	371,405	7,983	23,469	-	75,927,811
Excess (deficiency) of receipts over disbursements	-	(2,209)	-	5,657	2,905	9,788	(377)	26,798	(993,050)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	420,000
Total other financing sources (uses)	-	-	-	-	-	-	-	-	420,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,209)	-	5,657	2,905	9,788	(377)	26,798	(573,050)
Cash and investments - ending	\$ -	\$ (2,209)	\$ -	\$ 165,535	\$ 70,944	\$ 36,560	\$ (999)	\$ 26,798	\$ 21,560,481

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/Severance Bond	Construction	2013 GOB Facility Improvement	2015 Refunded Construction	2016 HIS Caf�/Improvements
Cash and investments - beginning	\$ 4,368,763	\$ 4,413,686	\$ 1,850,776	\$ 2,504,307	\$ 608,557	\$ 4,132,148	\$ 449,031	\$ 10,449	\$ 57,892	\$ 164,873	\$ 420,000
Receipts:											
Local sources	527,106	9,240,512	3,544,471	2,454,683	500,324	-	539	-	-	-	-
Intermediate sources	290	-	-	-	-	-	-	-	-	-	-
State sources	27,768,465	-	-	-	-	-	-	-	-	-	-
Federal sources	580,417	-	-	35,342	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>28,876,278</u>	<u>9,240,512</u>	<u>3,544,471</u>	<u>2,490,025</u>	<u>500,324</u>	<u>-</u>	<u>539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:											
Instruction	20,808,338	-	-	-	-	-	-	-	-	-	-
Support services	8,136,503	-	1,775,430	1,883,843	846,053	-	-	-	-	34,088	4,896
Noninstructional services	623,420	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	(68)	-	1,158,195	-	-	-	-	10,449	-	2,537	330,772
Debt service	-	9,892,382	343,970	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>29,568,193</u>	<u>9,892,382</u>	<u>3,277,595</u>	<u>1,883,843</u>	<u>846,053</u>	<u>-</u>	<u>-</u>	<u>10,449</u>	<u>-</u>	<u>36,625</u>	<u>335,668</u>
Excess (deficiency) of receipts over disbursements	<u>(691,915)</u>	<u>(651,870)</u>	<u>266,876</u>	<u>606,182</u>	<u>(345,729)</u>	<u>-</u>	<u>539</u>	<u>(10,449)</u>	<u>-</u>	<u>(36,625)</u>	<u>(335,668)</u>
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(691,915)</u>	<u>(651,870)</u>	<u>266,876</u>	<u>606,182</u>	<u>(345,729)</u>	<u>-</u>	<u>539</u>	<u>(10,449)</u>	<u>-</u>	<u>(36,625)</u>	<u>(335,668)</u>
Cash and investments - ending	<u>\$ 3,676,848</u>	<u>\$ 3,761,816</u>	<u>\$ 2,117,652</u>	<u>\$ 3,110,489</u>	<u>\$ 262,828</u>	<u>\$ 4,132,148</u>	<u>\$ 449,570</u>	<u>\$ -</u>	<u>\$ 57,892</u>	<u>\$ 128,248</u>	<u>\$ 84,332</u>

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

	School Lunch	Textbook Rental	Self- Insurance	Educational License Plates	Alternative Education	Lilly Counseling Grant	Lilly Comprehensive Counseling	Frank Moriham Miller Gift	Grow Garden Prize	Formative Assessment	Bikes/Henkel Grant Winner	High Ability 2016-2017
Cash and investments - beginning	\$ 314,080	\$ 178,535	\$ 1,560,068	\$ 507	\$ 23,204	\$ 6,652	\$ -	\$ 465	\$ 615	\$ 43,106	\$ 294	\$ 23,598
Receipts:												
Local sources	1,209,062	277,911	4,663,998	19	-	-	452,904	250	900	-	-	-
Intermediate sources	-	-	-	206	-	-	-	-	-	-	-	-
State sources	32,534	102,933	-	-	9,392	-	-	-	-	55,464	-	-
Federal sources	819,385	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	2,060,981	380,844	4,663,998	225	9,392	-	452,904	250	900	55,464	-	-
Disbursements:												
Instruction	-	-	-	713	-	-	-	-	-	-	-	23,598
Support services	28,535	182,510	-	-	-	5,050	55,525	-	-	98,571	-	-
Noninstructional services	2,101,833	-	-	-	-	-	-	-	1,185	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	4,043,347	-	-	-	-	-	-	-	-	-
Total disbursements	2,130,368	182,510	4,043,347	713	-	5,050	55,525	-	1,185	98,571	-	23,598
Excess (deficiency) of receipts over disbursements	(69,387)	198,334	620,651	(488)	9,392	(5,050)	397,379	250	(285)	(43,107)	-	(23,598)
Other financing sources (uses):												
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(69,387)	198,334	620,651	(488)	9,392	(5,050)	397,379	250	(285)	(43,107)	-	(23,598)
Cash and investments - ending	\$ 244,693	\$ 376,869	\$ 2,180,719	\$ 19	\$ 32,596	\$ 1,602	\$ 397,379	\$ 715	\$ 330	\$ (1)	\$ 294	\$ -

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

	High Ability 2017-2018	Teacher Quality Improvement Program	Instructional Support	Early Childhood Intervention (First Steps)	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs	NESP 2015-2016	NESP 2016-2017	NESP 2017-2018	School Technology	Career and Technical Performance Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 3,300	\$ 191,047	\$ 2,800	\$ 250	\$ -	\$ 21,009	\$ -	\$ 5,457	\$ 4,211
Receipts:												
Local sources	-	-	-	-	80,164	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	-
State sources	44,819	-	-	21,092	-	-	-	-	72,995	15,810	9,913	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	44,819	-	-	21,092	80,164	-	-	-	72,995	15,810	9,913	-
Disbursements:												
Instruction	23,289	-	-	-	97,907	-	-	-	21,009	66,578	-	-
Support services	-	-	-	24,392	29,155	-	-	-	-	-	10,731	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	9,915	-	-	-	-	-	-	4,199
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	23,289	-	-	24,392	136,977	-	-	-	21,009	66,578	10,731	4,199
Excess (deficiency) of receipts over disbursements	21,530	-	-	(3,300)	(56,813)	-	-	-	(21,009)	6,417	5,079	5,714
Other financing sources (uses):												
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	21,530	-	-	(3,300)	(56,813)	-	-	-	(21,009)	6,417	5,079	5,714
Cash and investments - ending	\$ 21,530	\$ -	\$ -	\$ -	\$ 134,234	\$ 2,800	\$ 250	\$ -	\$ -	\$ 6,417	\$ 10,536	\$ 9,925

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

	H/A 2015-2016	Coordinated Sch. Health Prog	No Excuses University	Excess PTRC Distributions	Title I 2016-2017	Title I 2017-2018	Title I 2015-2016	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Title II-A 2015-2016	Title II-A 2016-17	Title II-A 2017-2018	Title III 2015-2016
Cash and investments - beginning	\$ -	\$ 41	\$ 60	\$ 97	\$ (70,559)	\$ -	\$ 1	\$ (5,030)	\$ (1)	\$ (19,092)	\$ -	\$ (1,345)
Receipts:												
Local sources	-	-	-	-	-	-	-	5,030	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-	-	11,521
Federal sources	-	-	-	-	129,054	341,388	-	-	-	100,374	23,311	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	129,054	341,388	-	5,030	-	100,374	23,311	11,521
Disbursements:												
Instruction	-	-	-	-	43,600	295,960	-	-	-	-	1,017	10,180
Support services	-	-	-	-	13,321	106,296	-	-	-	81,281	53,628	(4)
Noninstructional services	-	-	-	-	1,575	3,491	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	58,496	405,747	-	-	-	81,281	54,645	10,176
Excess (deficiency) of receipts over disbursements	-	-	-	-	70,558	(64,359)	-	5,030	-	19,093	(31,334)	1,345
Other financing sources (uses):												
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	70,558	(64,359)	-	5,030	-	19,093	(31,334)	1,345
Cash and investments - ending	\$ -	\$ 41	\$ 60	\$ 97	\$ (1)	\$ (64,359)	\$ 1	\$ -	\$ (1)	\$ 1	\$ (31,334)	\$ -

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

	Title III 2017-2018	Title III 2016-2017	Title III NESP 2014-2015	Payroll Clearing Account	Prepaid Food	MCS Clearing Account	Clearing Account Employer	Student Purchased Laptop Ins	Totals
Cash and investments - beginning	\$ -	\$ (2,209)	\$ -	\$ 165,535	\$ 70,944	\$ 36,560	\$ (999)	\$ 26,798	\$ 21,560,481
Receipts:									
Local sources	-	-	-	-	-	-	-	-	22,957,873
Intermediate sources	-	-	-	-	-	-	-	-	496
State sources	30,002	5,150	-	-	-	-	-	-	28,180,090
Federal sources	-	-	-	-	-	-	-	-	2,029,271
Other receipts	-	-	-	22,922,963	429,745	6,136	22,494	27,135	23,408,473
Total receipts	30,002	5,150	-	22,922,963	429,745	6,136	22,494	27,135	76,576,203
Disbursements:									
Instruction	36,001	2,941	-	-	-	-	-	-	21,431,131
Support services	64	-	-	-	-	-	-	-	13,369,868
Noninstructional services	-	-	-	-	-	-	-	-	2,731,504
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,515,999
Debt service	-	-	-	-	-	-	-	-	10,236,352
Nonprogrammed charges	-	-	-	22,837,907	438,990	1,331	22,274	-	27,343,849
Total disbursements	36,065	2,941	-	22,837,907	438,990	1,331	22,274	-	76,628,703
Excess (deficiency) of receipts over disbursements	(6,063)	2,209	-	85,056	(9,245)	4,805	220	27,135	(52,500)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,063)	2,209	-	85,056	(9,245)	4,805	220	27,135	(52,500)
Cash and investments - ending	\$ (6,063)	\$ -	\$ -	\$ 250,591	\$ 61,699	\$ 41,365	\$ (779)	\$ 53,933	\$ 21,507,981

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Middlebury Schools Building Corporation	NHS Classrooms - Refunded	\$ 5,890,500	12/31/2015	12/31/2029
Middlebury Schools Building Corporation	Board Room Technology Roofs NMS Reno	2,040,500	6/30/2018	12/31/2020
Middlebury Schools Building Corporation	NHS Pool/Auditorium - Refunded	809,000	12/31/2016	12/31/2029
Middlebury Schools Building Corporation	HIS Cafe	<u>332,000</u>	6/30/2017	12/31/2018
Total governmental activities		<u>9,072,000</u>		
Total of annual lease payments		<u>\$ 9,072,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General Obligation Bonds	Road Technology NMS Reno	\$ 5,000,000	\$ 1,851,250
Notes and Loans Payable	Technology Lease 2015	170,182	116,067
Notes and Loans Payable	Technology Lease 2017	<u>309,288</u>	<u>128,250</u>
Total governmental activities		<u>5,479,470</u>	<u>2,095,567</u>
Totals		<u>\$ 5,479,470</u>	<u>\$ 2,095,567</u>

MIDDLEBURY COMMUNITY SCHOOLS
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 1,908,794
Buildings	127,876,994
Improvements other than buildings	1,213,390
Machinery, equipment, and vehicles	<u>10,718,516</u>
Total governmental activities	<u>141,717,694</u>
Total capital assets	<u><u>\$ 141,717,694</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE MIDDLEBURY COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2018-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

Qualified Opinion on Child Nutrition Cluster

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

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2016 to June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2018-010, and 2018-012. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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


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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, and 2018-012, that we consider to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

May 2, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2017 and 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<u>Department of Agriculture</u>							
Child Nutrition Cluster	Indiana Department of Education						
School Breakfast Program		10.553	FY16/17	\$ -	\$ 118,590	\$ -	\$ -
School Breakfast Program		10.553	FY17/18	-	-	-	104,549
Total - School Breakfast Program				-	118,590	-	104,549
National School Lunch Program	Indiana Department of Education						
National School Lunch Program Commodities		10.555	FY16/17	-	689,271	-	-
National School Lunch Program Commodities		10.555	FY16/17	-	162,340	-	-
National School Lunch Program Commodities		10.555	FY17/18	-	-	-	713,513
National School Lunch Program Commodities		10.555	FY17/18	-	-	-	175,430
Total - National School Lunch Program				-	851,611	-	888,943
Total - Child Nutrition Cluster				-	970,201	-	993,492
Total - Department of Agriculture				-	970,201	-	993,492
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education						
Special Education 2015-2016		84.027	14216-016-PN01	-	93,796	-	-
Special Education 2016-2017		84.027	14217-014-PN01	-	615,231	-	263,097
Special Education 2017-2018		84.027	18611-014-PN01	-	-	-	282,781
Total - Special Education Grants to States				-	709,027	-	545,878
Special Education Preschool Grants	Indiana Department of Education						
PreSchool 16-17		84.173	45716-014-PN01	-	14,864	-	-
PreSchool 17-18		84.173	45718-016-PN01	-	-	-	34,539
Total - Special Education Preschool Grants				-	14,864	-	34,539
Total - Special Education Cluster (IDEA)				-	723,891	-	580,417

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2017 and 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I 2015-2016		84.010	16-2275	-	173,088	-	-
Title I 2016-2017		84.010	17-2275	-	335,108	-	129,054
Title I 2017-2018		84.010	18-2275	-	-	-	341,388
Total - Title I Grants to Local Educational Agencies				-	508,196	-	470,442
English Language Acquisition State Grants	Indiana Department of Education						
Title III 2014-2015		84.365	01115-020-PN01	-	4,108	-	-
Title III 2015-2016		84.365	01116-020-PN01	-	10,236	-	11,521
Title III 2016-2017		84.365	01117-019-PN01	-	45,825	-	5,150
Title III 2017-2018		84.365	01118-018-PN01	-	-	-	30,002
Total - English Language Acquisition State Grants				-	60,169	-	46,673
Supporting Effective Instruction State Grants	Indiana Department of Education						
Improving teacher Quality 2015-2016		84.367	FY 2015	-	122,341	-	-
Improving Teacher Quality 2016-2017		84.367	S367A160013	-	18,370	-	100,374
Improving Teacher Quality 2017-2018		84.367	S367A170013	-	-	-	23,311
Total - Supporting Effective Instruction State Grants				-	140,711	-	123,685
Total - Department of Education				-	1,432,967	-	1,221,217
Total federal awards expended				\$ -	\$ 2,403,168	\$ -	\$ 2,214,709

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of the Elkhart County Special Education Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies	Qualified Unmodified Unmodified

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

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

Section II - Financial Statement Findings

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit.

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

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

School Corporation Transactions - Disbursements - Fringe Benefits

There was no oversight for the School Corporation's share of fringe benefits, such as payments to the Teachers' Retirement Fund, Public Employees' Retirement Fund, and the School Corporation's share of Social Security and Medicare. These disbursements were not included on the claims docket approved by the School Board from July 2016 to May 2018.

Self-Insurance Fund - Disbursements

The activities of the Self-Insurance fund were not included in the School Corporation's ledger, but were accounted for separately by the Treasurer. The disbursements, for flex payments for certain types of insurance, were made electronically by the claims administrator without approval by the School Board. Supporting documentation was not provided for these disbursements until the School Corporation changed to a different claims administrator in October 2017.

Context

The fringe benefits not being approved by the School Board was a systemic problem that occurred from July 2016 to May 2018. The disbursements from the Self-Insurance fund not being approved by the School Board was a systemic problem that continued through the audit period. The lack of documentation for the flex payments made from the Self-Insurance fund was an issue that occurred from July 2016 to October 2017.

Criteria

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

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

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

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

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

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

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

Cause

Management of the School Corporation had not established a proper system of internal controls over financial transactions and reporting.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to financial transactions and reporting of fringe benefits and Self-Insurance fund disbursements.

Views of Responsible Officials

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

FINDING 2018-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Repeat Finding

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

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). There was no documentation of review or oversight over compiling and submitting the information for the SEFA.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

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

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

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

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

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

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

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

Cause

Management of the School Corporation had not established a proper system of internal control in relation to preparation of the SEFA.

Effect

The failure to establish controls could have enabled material misstatements of the SEFA to remain undetected.

Recommendation

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16/17, FY 17/18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Program Income, Reporting,
Special Tests and Provisions - Verification of Free and
Reduced Price Applications (NSLP), Special Tests and
Provisions - School Food Accounts, Special Tests
and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

Cash Management - There were no internal controls in place at the School Corporation to ensure that the School Corporation was in compliance with the cash management requirement that they limit their net cash resources in the School Lunch fund to the three months average expenditures of the food service program.

Eligibility - The School Corporation used a food service software, which automatically made the eligibility determinations dependent upon the information entered into the software by applicants or school personnel. The School Corporation did not have a documented system of oversight or review to ensure that the federal income guidelines entered into the software program agreed to the guideline set forth by the Indiana Department of Education.

Program Income - There were no documented controls in place to ensure that the accurate amount of program income, identified in the meal counting software, was recorded into the financial records. One individual at the School Corporation created a "School Food Serve Daily Record of Cash" Excel spreadsheet, which abstracted from the meal counting software, the daily money received. This report was then used by the Treasurer to record program income (cash and money earned from the prepaid account) in the financial records; however, the Excel spreadsheet was not compared to the meal counting software to ensure accuracy by anyone other than the preparer.

Reporting - One individual prepared the Monthly Claims for Reimbursement (Claims); however, there was no documentable control in place to ensure someone other than the preparer was reviewing the Claims for accuracy.

Special Tests and Provisions:

Verification of Free and Reduced Price Applications (NSLP) - One individual verified the income supporting documentation and made the determination if a change to eligibility was necessary. There was no oversight or review to ensure accuracy.

School Food Accounts - There were no documentable controls in place to ensure someone at the School Corporation was reviewing the transactions posted to the School Lunch fund during the audit period.

Paid Lunch Equity (National School Lunch Program only) - The School Corporation had not designed or implemented adequate internal controls to ensure that the paid lunch equity calculation made on an annual basis utilizing the USDA provided tool was accurate. One employee prepared the paid lunch equity calculation without an oversight or review process to ensure the accuracy of the calculation.

Context

The lack of controls was a systemic issue throughout the audit period.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management of the School Corporation had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of material noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed material noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-004

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

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and the Program Income compliance requirements. The School Corporation failed to comply with the requirements listed as follows:

Payroll

The School Corporation paid \$346,251 in salaries/wages for management, custodian, and bookkeeper positions, which were allocated to the School Lunch fund based on fixed percentages. There was no supporting documentation to indicate how the percentages were determined. Adequate time records were not maintained to support the time charged to the federal award.

There was one instance in which one food service employee was paid the incorrect rate for a portion of time. It was determined the employee was overpaid \$1,722 during the audit period.

We consider the wages paid in the amount of \$347,972 to be questioned costs.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period with the exception of the individual paid the incorrect rate, which was an isolated instance.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.307(e) states in part:

"*Use of program income.* If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. . . . When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures. . . ."

(2) *Addition.* With prior approval of the Federal awarding agency (except for IHEs and nonprofit research institutions, as described in paragraph (e) of this section) program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award. . . ."

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

7 CFR 210.14(a) states:

"*Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*)."

7 CFR 220.7(e) states in part:

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

- (1) . . . (ii) In accordance with the financial management system established under § 220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service *Except that*, facilities, equipment, and personnel support with funds provided to a school food authority under this part may be used to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*); . . ."

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

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

- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.302(b)(3) states:

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

2 CFR 200.333 states in part:

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

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and the Program Income compliance requirements.

Effect

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

Questioned Costs

The \$347,972 payroll expenditures paid from the School Lunch fund, as described in the *Condition*, were considered questioned costs.

Recommendation

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

Views of Responsible Officials

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

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

FINDING 2018-005

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management, Allowable Costs/Cost Principles, and the Program Income compliance requirements.

Equipment

The School Corporation did not comply with the equipment requirements of the Equipment and Real Property Management compliance requirement. The School Corporation did not maintain an accurate list of capital assets that reflected the source of funding from which the assets were purchased. The School Corporation renovated the kitchen at Heritage Intermediate School. Equipment totaling \$295,173 was purchased for the renovation, \$200,000 of this cost was paid from the federal program.

The School Corporation's June 30, 2018 Capital Assets Listing (Inventory) included the renovations made to the building; however, the values recorded in the Inventory did not agree to the supporting documentation regarding the actual costs paid. In addition, the Inventory did not include all the required information for the assets acquired, including the source of the funding.

Equipment, Allowable Costs/Cost Principles, Program Income

The School Corporation had equipment purchases exceeding \$5,000 during the audit period, but did not get permission from the Department of Agriculture or the Indiana Department of Education for the purchases, which resulted in noncompliance with Allowable Costs/Cost Principles and use of Program Income compliance requirements.

Context

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

2 CFR 200.313(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

2 CFR 200.439(b) states in part:

"The following rules of allowability must apply to equipment and other capital expenditures:
. . .

- (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity. . . ."

2 CFR 200.307(e) states in part:

"Use of program income. If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. . . . When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures.

- (2) *Addition.* With prior approval of the Federal awarding agency (except for IHEs and nonprofit research institutions, as described in paragraph (e) of this section) program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award. . . ."

2 CFR 200.403 states in part:

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

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

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

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

(g) Be adequately documented. . . ."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2018-006

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

Condition

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

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

Procurement

The School Corporation did not always obtain price and rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation also did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

Suspension and Debarment

During fiscal year 2016-2017, the School Corporation entered into a contract for kitchen equipment of which \$200,000 was purchased with grant funds. The School Corporation failed to ensure the vendor was not suspended or debarred before entering into the contract.

Context

The lack of controls was a systemic issue throughout the audit period. The procurement noncompliance was isolated to the vendors tested under the small purchase procedures. The suspension and debarment noncompliance was isolated to the contract for the kitchen equipment/renovation.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . .

- (b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

2 CFR 200.318(i) states:

"The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

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

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the procurement, suspension, and debarment requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance, and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2018-007

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

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

Condition

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

Annual Financial Report

In the fiscal years 2016-2017 and 2017-2018 Annual Financial Reports, expenditure classifications were not properly categorized. In the 2017-2018 Annual Financial Report, the equipment expenditures line item was overstated by \$51,867 and the miscellaneous expenditures line item was understated \$51,867.

Verification Report

The 2016-2017 and 2017-2018 Verification Reports did not agree to the School Corporation's records. In the 2016-2017 Verification Report, the number of the Free and Reduced Applications did not agree to the meal counting software reports. Also, the Results of Verification by Original Benefit Type table did not agree to the results of the verified applications. In the 2017-2018 Verification Report, the number of the Free and Reduced Applications did not agree to the meal counting software reports.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls that would have ensured compliance with the reporting requirement.

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-008

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-016-PN01, 14217-014-PN01,
18611-014-PN01, 45716-014-PN01,
45718-016-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Maintenance of effort calculations were being performed by one individual without an oversight, review, or approval process to ensure accuracy.

The expenditures used to determine compliance with the maintenance of effort calculation were not consistent from year to year and as a result, the maintenance of effort requirement for fiscal year 2018 were not met. The expenditures used on the 2018 application included expenditures from July 1, 2016 to August 31, 2017, while the expenditures used for the 2019 application used expenditures from July 1, 2017 to June 30, 2018. Due to the overstatement of expenditures on the 2018 application, the total expenditures per child calculation did not exceed the amount that was calculated on the 2017 application.

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

Context

The lack of internal controls was systemic throughout the audit period and the noncompliance was applicable to the 2018 application.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 300.203 states in part:

". . . (b) *Compliance standard.*

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
 - (i) Local funds only;
 - (ii) The combination of State and local funds;
 - (iii) Local funds only on a per capita basis; or
 - (iv) The combination of State and local funds on a per capita basis.
- (3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraphs (b)(1) and (2) of this section. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions and that would have ensured compliance with the Matching, Level of Effort, Earmarking compliance requirement.

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-009

Subject: Special Education Cluster (IDEA) - Reporting
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Numbers: 84.027
Federal Award Numbers and Years (or Other Identifying Numbers): 14216-016-PN01, 14217-014-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Condition

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

Quarterly Proportionate Share Monitoring Financial Reports (Report) for projects 14216-016-PN01 and 14217-014-PN01 were not completed and submitted to the Elkhart County Special Education Cooperative (ECSEC). The last Report filed for project 14216-016-PN01 covered wages from January 1, 2016 to March 31, 2016, and no Reports were filed for project 14217-01-PN01 during the audit period.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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

FINDING 2018-010

Subject: Special Education Cluster (IDEA) - Reporting
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14216-016-PN01, 45716-014-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-011.

Condition

The Elkhart County Special Education Cooperative (ECSEC) is a public school program serving approximately 3,400 students with disabilities, ranging from 3 to 22 years old, in Elkhart County. The School Corporation is a member school corporation of the ECSEC. Effective internal control systems were not in place at the School Corporation or the ECSEC in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The ECSEC failed to complete the final reports and the quarterly monitoring reports required to be filed with the Indiana Department of Education during the audit period for the member school corporations.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:

. . .

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

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

Cause

The School Corporation and the ECSEC had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's and the ECSEC's management establish internal controls related to the grant agreement and the Reporting compliance requirement, and to comply with the compliance requirement.

Views of Responsible Officials

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

FINDING 2018-011

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Assessment System Security

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 16-2275, 17-2275, 18-2275

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Assessment System Security

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior year audit finding number was 2016-003.

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Assessment System Security compliance requirements.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

The Business Manager Assistant updated the employee's file of employees to be paid from the grant funds. There was no oversight, review, or approval process following the update to ensure that only appropriate employees were paid from the grants.

Special Tests and Provisions - Assessment System Security

The School Corporation did not have a process in place to ensure that all individuals involved in the testing process received the proper training and signed the required Indiana Testing Security and Integrity Agreement. At the high school, sign-in sheets were used to ensure that everyone who attended the training also signed the agreements. This process was not used at the other school locations.

Context

The lack of controls over Activities Allowed or Unallowed and Allowable Costs/Cost Principles were not present in the first 18 months of the audit period.

There were no documented controls over the Special Tests and Provisions - Assessment System Security compliance requirement throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-012

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 16-2275, 17-2275, 18-2275
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The codes used by the High School Registrar's office were determined and processed by one individual. There was no oversight or review process to ensure that codes were accurate.

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

The School Corporation did not comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement that students removed from the Annual Report Card, High School Graduation Rate (Rate) for mobility reasons have the appropriate documentation to support the student's removal from the Rate. The students examined comprised 15 percent of the total students removed from the Rate during the audit period. The School Corporation did not have the appropriate supporting documentation for 31 percent of the students examined.

Context

The lack of internal controls and the noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 200.19(b) states in part:

"*High schools*—

- (1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:
 - (i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . . .
 - (ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.
 - (A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.
 - (B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

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

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . .

(2) *Transitional graduation rate.*

(i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—

(A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number or years; or . . .

(ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—

(A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;

(B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and

(C) A dropout may not be counted as a transfer. . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirement listed above.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding initially occurred: 2014-2016
Contact Person Responsible for Corrective Action: Mark Snyder
Contact Phone Number: 574-825-9425

Status of Audit Finding:

Receipts: Receipting is input into the financial software by personnel in the finance department, and then reviewed by another. A form certifying the accuracy to the best of their knowledge is signed by both the personnel that input the receipts into the financial software and the reviewer. The form is kept with all the receipting each month. This process dated back to July 2016.

Disbursements: Fringe Benefits

All payments for the School Corporations share of fringe benefits, such as payments to TRF, PeRF, and corporation's share of Social Security and Medicare are now run through a docket and approved by the school board. This process began in February 2018.

Disbursements: Payroll

Time cards are verified and approved at the building level prior to accounts payroll clerk completing payroll. This is completed through a dropdown stating "Authorize All" within Time Management. This process began in February 2018.

Self-Insurance Fund: Financial Transactions and Reporting

The insurance fund is fully reconciled monthly with the bank statement and detailed reporting of all disbursements from Group Administrators, our third party administrator are included. The reconciliation is completed by one member of the finance department and then reviewed by both the Director of Business and the Superintendent. A financial statement is provided and signed by all three school personnel listed. October 2017 when we were able to get more detailed reports from the new TPA. Effective for March 2019, two board members will review disbursements and sign the monthly reconciliation sheet stating that claims and receipts were reviewed.

Mark Snyder
(Signature)

Director of Business
(Title)

3/15/19
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-004

Fiscal year in which the finding initially occurred: 2014-2016
Contact Person Responsible for Corrective Action: Dr. Robby Goodman/Linda Grant
Contact Phone Number: 574-825-9425

Status of Audit Finding:

Student withdrawal from cohort:

Due to the timing of the previous audit, the below procedures were not fully implemented. Beginning 4/9/19 the below procedures will begin:

Upon a student/parent stating that a student will be withdrawn, a form is then given to the student for signatures from various staff members. After the form is filled out with all necessary signatures, the form is returned to the office. It is then requested that the parent come in and sign the form for final withdrawal stating the reason. Two NHS staff members verify the form is complete by signature. If parents have not been located for a meeting and final withdrawal signature, the attempts are documented, and then is verified by two NHS staff members by signature. Additionally, a withdrawal or mobility code is determined, documented on the "student clearance sheet", and reviewed by another staff member. The staff members will sign and date when this all has occurred.

(Signature)

Assistant Superintendent

(Title)

3/15/19

(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-005

Fiscal year in which the finding initially occurred: 2014-2016
Contact Person Responsible for Corrective Action: Mark Snyder
Contact Phone Number: 574-825-9425

Status of Audit Finding:

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance: All payments made to the Teacher's Retirement Fund, Public Employee Retirement Fund, and the Corporation's share of Social Security and Medicare are now run as a docket through the financial software and approved as claims by the board. This began in February 2018.

Level of Effort – Maintenance of Effort: Shirley worked to calculate the maintenance of effort, then the Director of Business verified the numbers prior to sending the final MOE to the state. These numbers come from the budget and are verified in the ledgers that we ran, then adjusted to meet the appropriate expenditure per student. Beginning FY20 application, a certification page will be added to the calculation to show review.. The MOE was submitted in August of 2018, and we had already been requiring multiple signers for reimbursement requests.



(Signature)

Director of Business
(Title)

3/15/19

(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-006

Fiscal year in which the finding initially occurred: 2014-2016
Contact Person Responsible for Corrective Action: Mark Snyder
Contact Phone Number: 574-825-9425

Status of Audit Finding:

This was corrected in 2018-2019 by creating a separate fund to account for special education grants, which would facilitate the monitoring of the expenditures paid for by the special education grants prior to requesting reimbursements. The Director of Business and Assistant Superintendent signatures are on all reimbursement requests verifying accuracy.

Mark Snyder
(Signature)

Director of Business
(Title)

3/15/19
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-007 through 2016-011

Fiscal year in which the finding initially occurred: 2014-2016
Contact Person Responsible for Corrective Action: Mark Snyder
Contact Phone Number: 574-825-9425

Status of Audit Finding:

The entire ECSEC operation is going through transitions which range from different personnel in place who handle the programs and related grants to the decentralization of some of the programs. Middlebury Community Schools personnel and the Special Education Coordinator continue to follow established guidelines, as we understand them and monitor the related procedures put in place by the administrator (Goshen Community Schools). This process is still developing.



(Signature)

Director of Business

(Title)

3/15/19

(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Director of Business
Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur that this is a repeat finding.

Description of Corrective Action Plan:

Disbursements – Fringe Benefits: All payment made to the Teacher’s Retirement Fund, Public Employee Retirement Fund, and the Corporation’s share of Social Security and Medicare will be processed on a claims docket and approved by the School Board. This process began May 2018.

Self-Insurance Fund: Effective 10/1/17 we switched Third Party Administrators (TPA). The new TPA includes detailed reporting on claims and flex payments to correspond with the electronic payments. The Treasurer reconciles monthly the receipts and detailed disbursements sent by the TPA to the monthly trust statement. Once reconciled by the treasurer, the Superintendent and Director of Business will review, and then all the claims, receipts, and reconciliation will be given to the board for approval. This process began April 2019.

Anticipated Completion Date: Immediately

Matt D. Small
(Signature)

Director of Business
(Title)

5/2/19
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Director of Business
Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur that this is a repeat finding.

Description of Corrective Action Plan:

For future filings, prior to entering the data into Gateway, the Director of Business will verify the numbers with reports from the financial software that either the Assistant to the Director of Business or the Treasurer has submitted. Once those numbers are verified, both the Director of Business and either the Assistant to the Director of Business or the Treasurer will sign the a verification page certifying the receipts and expenditures are accurate and complete, prior to the Director of Business entering the data into Gateway. All supporting documents including reimbursement requests and ledger will be kept with the final report and verification page.

Anticipated Completion Date: Immediately

Martz D. Bumpkin
(Signature)

Director of Business
(Title)

5/2/19
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: (574)825-9425

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

Cash Management – The Director of Business and Food Service Director will review and monitor Revenue and Expenditures Ledgers including detail and summary of balances monthly. The ledgers will be signed by both the Director of Business and the Food Service Director. An expenditure average for a month will be calculated using previous history to monitor the total balance. The balance should be approximately 3 months of operating expenditures. Signatures will be included on the monthly balances.

Eligibility – The free and reduced application filled out by guardians is collected and input into the food service software program by a secretary. Once the data is input, a printout of each student’s information that was input into the food service software program will be given to the Food Service Director to review for accuracy and completeness. The original application and the printout from the food service software program will be signed by both and kept for review.

Program Income – After the spreadsheets are prepared by a secretary, the Food Service Director will review the spreadsheets for accuracy and completeness. The spreadsheets will be signed by both the secretary that input the information and the Food Service Director.

Reporting – A printout from the food service program is printed by building totaling the number of meals served for the month. Each total will be input into the CNP website by the Food Service Director. A printout from the CNP website and food service program detailing number of meals served by building will be given to a member of the finance department for review of completeness and accuracy. The CNP printout will be signed by the Food Service Director and the staff member within the finance department that reviewed.

Special Tests and Precisions:

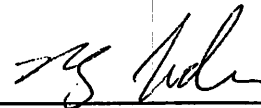
Verification Applications – Once it is determined which applications must be verified, the report will be completed by the Food Service Director. A secretary associated with Food Services will verify the income supporting documentation. A report from the food service program will be signed by both.

Middlebury Community Schools

School Food Account – Detailed ledgers of receipts and expenditures from the financial software will be printed by the Director of Business monthly and given to the Food Service Director for review. Both will sign the ledgers.

Paid Lunch Equity Tool – The Food Service Director will input the requested information into the Paid Lunch Equity Tool spreadsheet. This information is obtained from the the previous years paid lunch equity spreadsheet, as well as October's claim data from the food service program. Both of these will be given to a secretary handling Food Service for review of accuracy and completeness. Signatures will be kept on a printout of the Paid Lunch Equity Tool spreadsheet.

Anticipated Completion Date: Immediately



(Signature)

Asst. Superintendent / FS Director

(Title)

5/2/19

(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-004

Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: (574)825-9425

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

Payroll – The Treasurer/Director of Business and Food Service Director will review and monitor payroll to insure compliance with requirements related to the grant agreement. The Treasurer/Director of Business will print a copy of the payroll distribution report from Low and a spreadsheet if necessary for each pay period, which shall include: employee name, fund number, hours worked, and pay rate. Signatures from both will be included on the distribution reports and/or spreadsheet. Other employees (bookkeepers and custodians) will have hours in food service dictated by their job descriptions (pending confirmation of acceptance of method by IDOE SNA).

Anticipated Completion Date: Immediately

(Signature)

Asst. Superintendent / FSDirector

(Title)

5/2/19

(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-006

Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: (574)825-9425

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

Procurement – The Food Service Director will comply with federal procurement requirements related to purchases from vendors whose goods and services exceed the \$3500.00 threshold. Goods and services desired from at least three different vendors will be compared based on a spreadsheet of specific criteria set forth by the Food Service Director. The vendor with the highest rating based on the set criteria will be awarded the business of the school district for that school year. A secretary associated with food service will review the spreadsheet for accuracy and completeness. Both will sign each spreadsheet and the Food Service Director will file it.

Suspension and Debarment – The Director of Buildings and Grounds and Food Service Director will work together to insure when entering into a covered transaction with a vendor at the next lower tier of allowable purchases, that the person with whom they intend to do business with has not been excluded or disqualified. They will do this by checking SAM for exclusions, collecting a certification from that person, or adding a clause or condition to the covered transaction with that person. Written documentation that shows the vendor is clear of suspension and debarment will be signed by both the Director of Buildings and Grounds and the Food Service Director.

Anticipated Completion Date: Immediately

(Signature)

Asst. Superintendent / FS Director

(Title)

5/2/19

(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-007

Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: (574)825-9425

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

Annual Financial Report –

A detailed ledger from the school financial software will be given to the Food Service Director by the Director of Business. The Food Service Director will input the information into the Annual Financial Report. The Director of Business and Food Service Director will both review and sign the food service Annual Financial Report to insure that it meets compliance and is accurate. The final report and ledgers used will be filed.

Verification Report – The Food Service Director and secretary will work together to complete the verification report each year. In working together, they will ensure that the data from the verification report matches the data in the food service software program. Copies of supporting documentation from the food service software will be printed and filed alongside a copy of the verification report. Both will sign the cover page from the food service software program as well as a copy of the verification report and these supporting documents will be filed.

Anticipated Completion Date: Immediately



(Signature)

Asst. Superintendent / FS Director

(Title)

5/2/19

(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-008

Contact Person Responsible for Corrective Action: Director of Business

Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur that this is a repeat finding.

Description of Corrective Action Plan:

Maintenance of Effort: Either the Assistant to the Director of Business or the Treasurer will calculate the maintenance of effort. The Director of Business will verify accuracy. Both the preparer and the reviewer will sign the MOE verifying accuracy and completeness, which will match the ledgers. In addition, any other necessary persons will sign once all documentation is reviewed. The expenditure ledgers used for the calculation will be retained as well.

Anticipated Completion Date: Immediately

Marc D. Dwyer
(Signature)

Director of Business
(Title)

5/2/19
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-009

Contact Person Responsible for Corrective Action: Director of Business
Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur that this is a repeat finding.

Description of Corrective Action Plan:

Quarterly Proportionate Share Monitoring: Either the Assistant to the Director of Business or the Treasurer will complete the Proportionate Share Monitoring Report. The Director of Business will verify accuracy. Both the preparer and the reviewer will sign the Quarterly Proportionate Share report verifying accuracy and completeness, which will match the payroll records/ledgers. The ledgers used for the calculation will be retained and attached to the report.

Anticipated Completion Date: Immediately

Marc Stank
(Signature)

Director of Business
(Title)

5/2/19
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-010

Contact Person Responsible for Corrective Action: Director of Business, ECSEC
Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur with this finding.

Description of Corrective Action Plan:

The Elkhart County Special Education Cooperative (ECSEC) is a public school program serving students with disabilities in Elkhart County. Middlebury Community Schools is a participating member of the Cooperative. Goshen Community Schools is the administrator of the Cooperative.

While Middlebury Community Schools acknowledges that as a member of the Cooperative they, along with other member schools, are equally responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants, it should be stated that the shortcomings documented in this finding are of an internal nature at the administrative school (GCS). The audit completed by the State Board of Accounts for this period on the records of Middlebury Community Schools relative to special education programs and related grants found no deficiencies related to this requirement.

The entire ECSEC operation was going through some transitions during the audit period. These transitions range from different personnel in place who handle the programs and related grants to the decentralization of some of the programs. Through these transitions procedures are being upgraded to establish controls for adequate documentation that will ensure compliance with all state and federal guidelines as they relate to the programs. Middlebury Community Schools business office personnel and our Special Education Coordinator will not only continue to follow established guidelines as they understand them, but will also monitor the related procedures put in place by the administrator (GCS) to the best of their abilities.

Anticipated Completion Date: Immediately

Marc D. Dwyer
(Signature)

Director of Business
(Title)

5/2/19
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-011

Contact Person Responsible for Corrective Action: Director of Business, Title I Director, Assistant Superintendent
Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur that this is a repeat finding.

Description of Corrective Action Plan:

Activities Allowed or Unallowed, Allowable Costs/Cost Principles:

The Treasurer will update the financial software of the employees to be paid from the grant fund as necessary. A payroll distribution report will be printed by the Treasurer after each payroll and given to the Title I Director. The Title I Director will verify that only approved school personnel from the grant are being paid from the appropriate Title I fund within the correct time period. Both the Treasurer and Title I Director will sign the distribution report.

Special Tests and Provisions – Assessment System Security

Special Tests and Provisions: Assessment System Security – Due to the timing of the prior audit, acceptable procedures for maintaining records for assessment system security had not been fully implemented. Current practice now includes sign in sheets for each building for all staff involved in trainings related to all standardized testing and assessment security. These will be verified and signed by the Corporation Test Coordinator to ensure accuracy.

Anticipated Completion Date: Immediately

Meredith Boyd
(Signature)

Director of Business
(Title)

5/2/19
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-012

Contact Person Responsible for Corrective Action: Assistant Superintendent
Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur that this is a repeat finding.

Description of Corrective Action Plan:

Special Tests and Provisions: Annual Report Card, High School Graduation Rate – Due to the timing of the prior audit, acceptable procedures for maintaining records for student withdrawals effecting graduation rate were not fully implanted. The student clearance sheet now includes signature sections that additionally show: exit/ mobility code used for student withdrawal, attached documentation to support code used, two building level signatures for acceptable completion, and one for the assistant superintendent to sign and verify that all records are accurate.

Anticipated Completion Date: Immediately

(Signature)

Assistant Superintendent

(Title)

5/2/19

(Date)

OTHER REPORTS

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