

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

MILAN COMMUNITY SCHOOLS  
RIPLEY COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**

11/13/2015



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Gretchen Berger	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Thomas Realy Paul Ketcham	07-01-12 to 06-30-13 07-01-13 to 06-30-16
President of the School Board	Timothy Tuttle Gregory Lewis	07-01-12 to 12-31-14 01-01-15 to 12-31-15



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MILAN COMMUNITY SCHOOLS, RIPLEY COUNTY, INDIANA

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the Milan Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement.

### ***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 of 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 of 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, 2012 to June 30, 2014.

***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, 2012 to June 30, 2014, 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 the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, 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 and the Schedule of Leases and Debt, 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 August 13, 2015, 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 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 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

August 13, 2015



**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](http://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 MILAN COMMUNITY SCHOOLS, RIPLEY 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 Milan Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated August 13, 2015, 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

***Milan 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

August 13, 2015

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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MILAN COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12		Other Financing Sources (Uses)		Cash and Investments 06-30-13		Other Financing Sources (Uses)		Cash and Investments 06-30-14	
	Receipts	Disbursements			Receipts	Disbursements			Receipts	Disbursements
General	\$ 908,000	\$ 8,159,248	\$ 8,229,472	\$ (192,000)	\$ 645,776	\$ 7,859,493	\$ 8,037,067	\$ -	\$ 468,202	
Debt Service	541,192	805,714	816,001	-	530,905	782,206	797,763	-	515,348	
Capital Projects	167,644	706,767	744,356	-	130,055	732,635	847,978	-	14,712	
School Transportation	655,864	765,333	719,944	(227,000)	474,253	928,215	737,158	(120,000)	545,310	
School Bus Replacement	7,467	248,330	172,745	(62,000)	21,052	265,097	82,638	(30,000)	173,511	
Rainy Day	455,080	-	35,000	481,000	901,080	-	255,405	150,000	795,675	
School Lunch	410,588	582,231	598,638	-	394,181	546,769	596,758	-	344,192	
Textbook Rental	161,161	142,143	130,610	-	172,694	131,028	148,339	-	155,383	
Educational License Plates	3,731	356	-	-	4,087	75	-	-	4,162	
Alternative Education	92,807	51,256	103,886	-	40,177	25,111	89,486	-	(24,198)	
Milan Elementary School	-	396	396	-	-	2,883	2,971	-	(88)	
Milan Middle School	-	10,086	8,800	-	1,286	-	1,208	-	78	
Milan High School	-	15,092	11,941	-	3,151	55,382	54,286	-	4,247	
Miscellaneous Programs	(8,146)	102,445	106,817	-	(12,518)	42,963	86,251	-	(55,806)	
RCCF	(4,331)	6,189	1,659	-	199	-	250	-	(51)	
RCCF - MES	-	9,089	9,089	-	-	3,500	7,598	-	(4,098)	
RCCF - MMS/MHS	-	-	-	-	-	2,000	1,000	-	1,000	
College Success Coalition	1,000	5,000	-	-	6,000	-	-	-	6,000	
Technology Loan	-	24,020	24,020	-	-	24,000	24,000	-	-	
Non-English Speaking Programs P.L. 273-1999	309	-	-	-	309	-	-	-	309	
School Technology	-	112,500	112,500	-	-	159,591	159,591	-	-	
Construction, Remodeling, and Equipping Buildings	(11,117)	35,073	23,956	-	-	-	-	-	-	
Rising Sun 3910	-	20,000	23,826	-	(3,826)	-	-	-	(3,826)	
Rising Sun 3920	7,481	-	-	-	7,481	-	-	-	7,481	
Rising Sun 3940	-	17,000	15,990	-	1,010	-	-	-	1,010	
Title I	(508)	134,736	140,206	-	(5,978)	99,747	126,432	-	(32,663)	
Education Jobs	17,656	49,669	67,325	-	-	-	-	-	-	
Payroll Clearing Funds	53,735	1,891,042	1,936,622	-	8,155	1,901,803	1,909,863	-	95	
<b>Totals</b>	<b>\$ 3,459,613</b>	<b>\$ 13,893,715</b>	<b>\$ 14,033,799</b>	<b>\$ -</b>	<b>\$ 3,319,529</b>	<b>\$ 13,562,498</b>	<b>\$ 13,966,042</b>	<b>\$ -</b>	<b>\$ 2,915,985</b>	

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

MILAN 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, 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 which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

MILAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

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

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

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Other Financing Sources and Uses*

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

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

MILAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money 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 money 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 March 1 (lien date) 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, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.



MILAN 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.

MILAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2013 and 2014.

**Note 8. Holding Corporation**

The School Corporation has entered into a capital lease with Milan 21<sup>st</sup> Century School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2013 and 2014 totaled \$123,000 and \$124,500, respectively.

#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. 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 Gateway 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 Financial Reports of the School Corporation which are 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.

MILAN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 908,000	\$ 541,192	\$ 167,644	\$ 655,864	\$ 7,467	\$ 455,080	\$ 410,588	\$ 161,161
Receipts:								
Local sources	649,046	805,714	706,767	765,333	248,330	-	274,965	102,692
Intermediate sources	-	-	-	-	-	-	-	-
State sources	7,510,202	-	-	-	-	-	7,486	39,451
Federal sources	-	-	-	-	-	-	299,780	-
Other Receipts	-	-	-	-	-	-	-	-
Total receipts	<u>8,159,248</u>	<u>805,714</u>	<u>706,767</u>	<u>765,333</u>	<u>248,330</u>	<u>-</u>	<u>582,231</u>	<u>142,143</u>
Disbursements:								
Current:								
Instruction	5,899,807	-	-	-	-	-	-	-
Support services	2,200,352	-	494,678	612,233	172,745	35,000	-	130,610
Noninstructional services	129,313	-	-	-	-	-	594,078	-
Facilities acquisition and construction	-	-	62,483	-	-	-	4,560	-
Debt services	-	816,001	187,195	107,711	-	-	-	-
Other Disbursements	-	-	-	-	-	-	-	-
Total disbursements	<u>8,229,472</u>	<u>816,001</u>	<u>744,356</u>	<u>719,944</u>	<u>172,745</u>	<u>35,000</u>	<u>598,638</u>	<u>130,610</u>
Excess (deficiency) of receipts over disbursements	<u>(70,224)</u>	<u>(10,287)</u>	<u>(37,589)</u>	<u>45,389</u>	<u>75,585</u>	<u>(35,000)</u>	<u>(16,407)</u>	<u>11,533</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	481,000	-	-
Transfers out	(192,000)	-	-	(227,000)	(62,000)	-	-	-
Total other financing sources (uses)	<u>(192,000)</u>	<u>-</u>	<u>-</u>	<u>(227,000)</u>	<u>(62,000)</u>	<u>481,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(262,224)</u>	<u>(10,287)</u>	<u>(37,589)</u>	<u>(181,611)</u>	<u>13,585</u>	<u>446,000</u>	<u>(16,407)</u>	<u>11,533</u>
Cash and investments - ending	<u>\$ 645,776</u>	<u>\$ 530,905</u>	<u>\$ 130,055</u>	<u>\$ 474,253</u>	<u>\$ 21,052</u>	<u>\$ 901,080</u>	<u>\$ 394,181</u>	<u>\$ 172,694</u>

MILAN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Educational License Plates	Alternative Education	Milan Elementary School	Milan Middle School	Milan High School	Miscellaneous Programs	RCCF
Cash and investments - beginning	\$ 3,731	\$ 92,807	\$ -	\$ -	\$ -	\$ (8,146)	\$ (4,331)
Receipts:							
Local sources	-	-	396	10,086	15,092	102,445	6,189
Intermediate sources	356	-	-	-	-	-	-
State sources	-	51,256	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-	-
Total receipts	<u>356</u>	<u>51,256</u>	<u>396</u>	<u>10,086</u>	<u>15,092</u>	<u>102,445</u>	<u>6,189</u>
Disbursements:							
Current:							
Instruction	-	101,886	-	-	-	-	1,659
Support services	-	-	396	8,800	11,941	106,817	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	2,000	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Other Disbursements	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>103,886</u>	<u>396</u>	<u>8,800</u>	<u>11,941</u>	<u>106,817</u>	<u>1,659</u>
Excess (deficiency) of receipts over disbursements	<u>356</u>	<u>(52,630)</u>	<u>-</u>	<u>1,286</u>	<u>3,151</u>	<u>(4,372)</u>	<u>4,530</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>356</u>	<u>(52,630)</u>	<u>-</u>	<u>1,286</u>	<u>3,151</u>	<u>(4,372)</u>	<u>4,530</u>
Cash and investments - ending	<u>\$ 4,087</u>	<u>\$ 40,177</u>	<u>\$ -</u>	<u>\$ 1,286</u>	<u>\$ 3,151</u>	<u>\$ (12,518)</u>	<u>\$ 199</u>

MILAN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	RCCF - MES	RCCF - MMS/MHS	College Success Coalition	Technology Loan	Non-English Speaking Programs P.L. 273-1999	School Technology	Construction, Remodeling, and Equipping Buildings
Cash and investments - beginning	\$ -	\$ -	\$ 1,000	\$ -	\$ 309	\$ -	\$ (11,117)
Receipts:							
Local sources	9,089	-	5,000	24,020	-	112,500	35,073
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-	-
Total receipts	<u>9,089</u>	<u>-</u>	<u>5,000</u>	<u>24,020</u>	<u>-</u>	<u>112,500</u>	<u>35,073</u>
Disbursements:							
Current:							
Instruction	9,089	-	-	-	-	-	-
Support services	-	-	-	24,020	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	112,500	23,956
Debt services	-	-	-	-	-	-	-
Other Disbursements	-	-	-	-	-	-	-
Total disbursements	<u>9,089</u>	<u>-</u>	<u>-</u>	<u>24,020</u>	<u>-</u>	<u>112,500</u>	<u>23,956</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,117</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,117</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 309</u>	<u>\$ -</u>	<u>\$ -</u>

MILAN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Rising Sun 3910	Rising Sun 3920	Rising Sun 3940	Title I	Education Jobs	Payroll Clearing Funds	Totals
Cash and investments - beginning	\$ -	\$ 7,481	\$ -	\$ (508)	\$ 17,656	\$ 53,735	\$ 3,459,613
Receipts:							
Local sources	20,000	-	17,000	-	-	-	3,909,737
Intermediate sources	-	-	-	-	-	-	356
State sources	-	-	-	-	-	-	7,608,395
Federal sources	-	-	-	134,736	49,669	-	484,185
Other Receipts	-	-	-	-	-	1,891,042	1,891,042
Total receipts	20,000	-	17,000	134,736	49,669	1,891,042	13,893,715
Disbursements:							
Current:							
Instruction	-	-	15,990	139,577	67,325	-	6,235,333
Support services	23,826	-	-	629	-	-	3,822,047
Noninstructional services	-	-	-	-	-	-	723,391
Facilities acquisition and construction	-	-	-	-	-	-	205,499
Debt services	-	-	-	-	-	-	1,110,907
Other Disbursements	-	-	-	-	-	1,936,622	1,936,622
Total disbursements	23,826	-	15,990	140,206	67,325	1,936,622	14,033,799
Excess (deficiency) of receipts over disbursements	(3,826)	-	1,010	(5,470)	(17,656)	(45,580)	(140,084)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	481,000
Transfers out	-	-	-	-	-	-	(481,000)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,826)	-	1,010	(5,470)	(17,656)	(45,580)	(140,084)
Cash and investments - ending	\$ (3,826)	\$ 7,481	\$ 1,010	\$ (5,978)	\$ -	\$ 8,155	\$ 3,319,529

MILAN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 645,776	\$ 530,905	\$ 130,055	\$ 474,253	\$ 21,052	\$ 901,080	\$ 394,181	\$ 172,694
Receipts:								
Local sources	570,221	782,206	732,635	928,215	265,097	-	239,821	92,589
Intermediate sources	11	-	-	-	-	-	-	-
State sources	7,289,261	-	-	-	-	-	7,447	38,439
Federal sources	-	-	-	-	-	-	299,501	-
Other Receipts	-	-	-	-	-	-	-	-
Total receipts	<u>7,859,493</u>	<u>782,206</u>	<u>732,635</u>	<u>928,215</u>	<u>265,097</u>	<u>-</u>	<u>546,769</u>	<u>131,028</u>
Disbursements:								
Current:								
Instruction	5,786,938	-	-	-	-	-	-	-
Support services	2,124,460	-	611,949	737,158	82,638	134,625	-	148,339
Noninstructional services	125,669	-	-	-	-	-	558,331	-
Facilities acquisition and construction	-	-	236,029	-	-	120,780	38,427	-
Debt services	-	797,763	-	-	-	-	-	-
Other Disbursements	-	-	-	-	-	-	-	-
Total disbursements	<u>8,037,067</u>	<u>797,763</u>	<u>847,978</u>	<u>737,158</u>	<u>82,638</u>	<u>255,405</u>	<u>596,758</u>	<u>148,339</u>
Excess (deficiency) of receipts over disbursements	<u>(177,574)</u>	<u>(15,557)</u>	<u>(115,343)</u>	<u>191,057</u>	<u>182,459</u>	<u>(255,405)</u>	<u>(49,989)</u>	<u>(17,311)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	150,000	-	-
Transfers out	-	-	-	(120,000)	(30,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,000)</u>	<u>(30,000)</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(177,574)</u>	<u>(15,557)</u>	<u>(115,343)</u>	<u>71,057</u>	<u>152,459</u>	<u>(105,405)</u>	<u>(49,989)</u>	<u>(17,311)</u>
Cash and investments - ending	<u>\$ 468,202</u>	<u>\$ 515,348</u>	<u>\$ 14,712</u>	<u>\$ 545,310</u>	<u>\$ 173,511</u>	<u>\$ 795,675</u>	<u>\$ 344,192</u>	<u>\$ 155,383</u>



MILAN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Educational License Plates	Alternative Education	Milan Elementary School	Milan Middle School	Milan High School	Miscellaneous Programs	RCCF
Cash and investments - beginning	\$ 4,087	\$ 40,177	\$ -	\$ 1,286	\$ 3,151	\$ (12,518)	\$ 199
Receipts:							
Local sources	-	-	2,883	-	55,382	42,963	-
Intermediate sources	75	-	-	-	-	-	-
State sources	-	25,111	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-	-
Total receipts	<u>75</u>	<u>25,111</u>	<u>2,883</u>	<u>-</u>	<u>55,382</u>	<u>42,963</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	-	87,486	-	-	-	-	250
Support services	-	-	2,971	1,208	54,286	86,251	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	2,000	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Other Disbursements	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>89,486</u>	<u>2,971</u>	<u>1,208</u>	<u>54,286</u>	<u>86,251</u>	<u>250</u>
Excess (deficiency) of receipts over disbursements	<u>75</u>	<u>(64,375)</u>	<u>(88)</u>	<u>(1,208)</u>	<u>1,096</u>	<u>(43,288)</u>	<u>(250)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>75</u>	<u>(64,375)</u>	<u>(88)</u>	<u>(1,208)</u>	<u>1,096</u>	<u>(43,288)</u>	<u>(250)</u>
Cash and investments - ending	<u>\$ 4,162</u>	<u>\$ (24,198)</u>	<u>\$ (88)</u>	<u>\$ 78</u>	<u>\$ 4,247</u>	<u>\$ (55,806)</u>	<u>\$ (51)</u>

MILAN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	RCCF - MES	RCCF - MMS/MHS	College Success Coalition	Technology Loan	Non-English Speaking Programs P.L. 273-1999	School Technology	Construction, Remodeling, and Equipping Buildings
Cash and investments - beginning	\$ -	\$ -	\$ 6,000	\$ -	\$ 309	\$ -	\$ -
Receipts:							
Local sources	3,500	2,000	-	24,000	-	159,591	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-	-
Total receipts	<u>3,500</u>	<u>2,000</u>	<u>-</u>	<u>24,000</u>	<u>-</u>	<u>159,591</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	7,598	1,000	-	-	-	-	-
Support services	-	-	-	24,000	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	159,591	-
Debt services	-	-	-	-	-	-	-
Other Disbursements	-	-	-	-	-	-	-
Total disbursements	<u>7,598</u>	<u>1,000</u>	<u>-</u>	<u>24,000</u>	<u>-</u>	<u>159,591</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(4,098)</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(4,098)</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ (4,098)</u>	<u>\$ 1,000</u>	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 309</u>	<u>\$ -</u>	<u>\$ -</u>

MILAN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Rising Sun 3910	Rising Sun 3920	Rising Sun 3940	Title I	Education Jobs	Payroll Clearing Funds	Totals
Cash and investments - beginning	\$ (3,826)	\$ 7,481	\$ 1,010	\$ (5,978)	\$ -	\$ 8,155	\$ 3,319,529
Receipts:							
Local sources	-	-	-	-	-	-	3,901,103
Intermediate sources	-	-	-	-	-	-	86
State sources	-	-	-	-	-	-	7,360,258
Federal sources	-	-	-	99,747	-	-	399,248
Other Receipts	-	-	-	-	-	1,901,803	1,901,803
Total receipts	-	-	-	99,747	-	1,901,803	13,562,498
Disbursements:							
Current:							
Instruction	-	-	-	126,432	-	-	6,009,704
Support services	-	-	-	-	-	-	4,007,885
Noninstructional services	-	-	-	-	-	-	684,000
Facilities acquisition and construction	-	-	-	-	-	-	556,827
Debt services	-	-	-	-	-	-	797,763
Other Disbursements	-	-	-	-	-	1,909,863	1,909,863
Total disbursements	-	-	-	126,432	-	1,909,863	13,966,042
Excess (deficiency) of receipts over disbursements	-	-	-	(26,685)	-	(8,060)	(403,544)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	150,000
Transfers out	-	-	-	-	-	-	(150,000)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(26,685)	-	(8,060)	(403,544)
Cash and investments - ending	\$ (3,826)	\$ 7,481	\$ 1,010	\$ (32,663)	\$ -	\$ 95	\$ 2,915,985

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MILAN COMMUNITY SCHOOLS  
SCHEDULE OF LEASES AND DEBT  
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Milan 21st Century School Building Corporation	School Renovations	\$ 124,000	6/30/2011	12/31/2026
Total		<u>\$ 124,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Common School Loans	\$ 5,459,740	\$ 663,706
Totals		<u>\$ 5,459,740</u>	<u>\$ 663,706</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE MILAN COMMUNITY SCHOOLS, RIPLEY COUNTY, INDIANA

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

We have audited the Milan Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014.



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

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-004 and 2014-005. 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 OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002, 2014-003, 2014-004, and 2014-005 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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MILAN COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2013 and 2014

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	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	69-6910	\$ 51,948	\$ 64,832
School Breakfast					
National School Lunch Program	Indiana Department of Education	10.555	69-6910	222,357	277,788
School Lunch					
Total - Child Nutrition Cluster				274,305	342,620
Total - Department of Agriculture				274,305	342,620
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title 1 FY 13			13-6910	134,736	-
Title 1 FY 14			14-6910	-	99,747
Total - Title I, Part A Cluster				134,736	99,747
Special Education Cluster					
Special Education_Grants to States	Indiana Department of Education	84.027			
FY2012 Federal Grant			14212-052-PN01	213,598	-
FY2013 Federal Grant			14213-052-PN01	211,077	204,182
FY2014 Federal Grant			14214-052-PN01	-	193,902
Total - Special Education Cluster				424,676	398,084
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	11-6910	36,433	-
Education Jobs Fund	Indiana Department of Education	84.410	6910	49,669	-
Total - Department of Education				645,514	497,831
Total federal awards expended				\$ 919,819	\$ 840,451

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

MILAN COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School Corporation and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 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. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	<u>\$ 44,151</u>	<u>\$ 43,119</u>

MILAN 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 deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Title I, Part A Cluster  
Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to cash, receipting, and payroll disbursements. The Treasurer is completing all activities related to completing bank reconciliements, receipting funds, and the preparation/disbursing payroll without any oversight, review, or approval process or other control. The failure to establish controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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

2. Preparation of the SEFA: The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. The Treasurer prepares the SEFA without any oversight, review, or approval process or other control to ensure its accuracy.

During the audit of the SEFA, we noted the following errors: federal expenditures were incorrectly reported; and for some federal grant awards, expenditures and information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were omitted. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.



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

- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2014-002 - CASH MANAGEMENT, ELIGIBILITY, LEVEL OF EFFORT, PERIOD OF AVAILABILITY, REPORTING***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 13-6910 and 14-6910 for FY 12-13 and FY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, Level of Effort, Period of Availability, and Reporting. The failure to establish an effective internal control system places 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 also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Cash Management, Reporting, and Period of Availability*

There is no control to ensure that the Requests for Reimbursement were accurate and to ensure that money is only being requested for expenses which have already been paid by the School Corporation and to ensure that Grant funds are not being spent after the period of availability has passed.

*Eligibility*

There was no control in place to ensure that the eligibility determinations made were accurate to ensure that only eligible children were receiving Title I services.

*Level of Effort*

For the FY 2012-2013 school year, there was no control in place to ensure that the Treasurer's preparation of the Maintenance of Effort calculation was accurate. However, in the two years since then, the Maintenance of Effort calculation has been reviewed by the Superintendent of Schools.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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

***FINDING 2014-003- CASH MANAGEMENT, LEVEL OF EFFORT, PERIOD OF AVAILABILITY, REPORTING***

Federal Agency: Department of Education

Federal Program: Special Education\_Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): 14212-052-PN01, 14213-052-PN01,  
and 14214-052-PN01 for FY 13, FY 14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Level of Effort, Period of Availability, and Reporting. The failure to establish an effective internal control system places 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 also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Cash Management, Reporting, and Period of Availability*

There is no control to ensure that the Requests for Reimbursement were accurate and to ensure that money is only being requested for expenses which have already been paid by the School Corporation and to ensure that Grant funds are not being spent after the Period of Availability has passed.

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

*Level of Effort*

For the FY 2012-2013 school year, there was no control in place to ensure that the Treasurer's preparation of the Maintenance of Effort calculation was accurate. However, in the two years since then, the Maintenance of Effort calculation has been reviewed by the Superintendent.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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

***FINDING 2014-004 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 13-6910 and 14-6910 for FY 12-13 and FY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirements. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with Allowable Costs/Cost Principles compliance requirements related to the program.

There is no control in place to ensure that only employees who worked with the Title I program are paid with Title I funds. In addition, any employee that worked solely with the Title I program, their salaries and wages are required to be supported by a semiannual certification. The Title I Director at the School Corporation, who was paid solely with Title I funds, did not complete a semiannual certification for fiscal years 2013 and 2014.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

OMB Circular A-87, Attachment B, paragraph 8.h.(3) states in part:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above. We also recommended that the School Corporation complete the semiannual certifications for each employee paid solely from Title I funds.

***FINDING 2014-005 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education

Federal Program: Special Education\_Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): 14212-052-PN01, 14213-052-PN01,  
and 14214-052-PN01 for FY 13, FY 14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirements. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with Allowable Costs/Cost Principles compliance requirements related to the program.

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

There is no control in place to ensure that only employees who worked with the Special Education program are paid with Special Education funds. In addition, any employee that worked solely with the Special Education program is required to support their salary and wages by a semiannual certification. All Special Education employees were listed on semiannual certifications, but for FY 2013-2014 the semiannual certifications were not signed by a supervisor with direct knowledge of the work performed by the employees as required.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-87, Attachment B, paragraph 8.h.(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above. We also recommended that the School Corporation complete the semiannual certifications for each employee paid solely from Special Education funds and have them signed by the appropriate designee.

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AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.



# MILAN COMMUNITY SCHOOLS

412 EAST CARR STREET

MILAN, INDIANA 47031

Tel (812) 654-2365 Fax (812) 654-2441

## Corrective Action Plan

Finding 2014 – 001

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties and preparation of the SEFA.

The Corporation Treasurer is completing all areas related to bank reconcilements, receipting of corporation funds, and preparation/disbursing of payroll without any additional monitoring or key controls in place.

Resolution: The Superintendent will review the bank reconcilements and payroll distribution reports each month. The deputy treasurer will assist the treasurer in preparing/disbursing payroll and also with receipting/disbursing corporation funds.

The Corporation Treasurer prepared the SEFA without having someone review before the schedule was submitted. Due to the first time entry of information to Gateway AFR, total federal expenditures were incorrectly reported and identifying information was omitted for some of the grant awards.

Resolution: The corporation treasurer now understands the procedures for the SEFA reporting. The superintendent will review this report before it is submitted each year.



## Finding 2014 – 002

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: activities allowed or unallowed, allowable costs/cost principles, cash management, eligibility, matching, level of effort and earmarking and reporting.

### Activities Allowed or Unallowed and Allowable Costs/Cost Principles :

The Treasurer prepares the payroll for all employees. There is no review of payroll to ensure that only Title I employees are paid from Title I funds.

Resolution: The corporation treasurer will make sure all payroll distributions for Title I are reviewed by the deputy treasurer or Superintendent.

### Cash Management and Period of Availability:

There is no review of Requests for Reimbursement to ensure that money is only being requested for expenses which have already been paid by the school corporation and to ensure that Title I grant funds are not being spent after the Period of Availability is passed.

Resolution: The corporation treasurer will make sure all expenditures for Title I funds are reviewed by the deputy treasurer or Superintendent before submitting the request for reimbursement form.

### Eligibility:

There is no documentation of the review of eligibility determinations made by the Title I director to ensure that only eligible children are receiving Title I services.

Resolution: The Title I director will submit this information for review by the Principal or Superintendent.

### Matching Level of Effort and Earmarking:

There was no review of the Maintenance of Effort calculation made by the treasurer for the 2012-13 year.

Resolution: In the two years since, the MOE calculation has been reviewed by the Superintendent.

## Reporting:

There is no review of Requests for Reimbursement or the Final Expenditure Report to ensure that they are prepared correctly and submitted on time.

Resolution: The corporation treasurer will submit all Title I reports for review by the deputy treasurer or Superintendent.

## Finding 2014 – 003

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: activities allowed or unallowed, allowable costs/cost principles, cash management, eligibility, matching, level of effort and earmarking and reporting.

### Activities Allowed or Unallowed and Allowable Costs/Cost Principles :

The Treasurer prepares the payroll for all employees. There is no review of payroll to ensure that employees paid with Special Education funds are working within the Special Education program.

Resolution: The corporation treasurer will make sure all payroll distributions for the Special Education program are reviewed by the deputy treasurer or Superintendent.

### Cash Management and Period of Availability:

There is no review of Requests for Reimbursement to ensure that money is only being requested for expenses which have already been paid by the school corporation and to ensure that Special Education grant funds are not being spent after the Period of Availability is passed.

Resolution: The corporation treasurer will make sure all expenditures for Special Education funds are reviewed by the deputy treasurer or Superintendent before submitting the request for reimbursement form.

### Matching Level of Effort and Earmarking:

There was no review of the Maintenance of Effort calculation made by the treasurer for the 2012-13 year.

Resolution: In the two years since, the MOE calculation has been reviewed by the Superintendent.

Reporting:

There is no review of Requests for Reimbursement or the Final Expenditure Report to ensure that they are prepared correctly and submitted on time.

Resolution: The corporation treasurer will submit all Special Education reports for review by the deputy treasurer or Superintendent.

Finding 2014 – 004

The Title I director did not complete a semi-annual certification for fiscal Years 2013 and 2014 for the director's position which is paid from Title I funds.

Resolution: The Title I director will complete this semi-annual certification and submit it to the Principal or Superintendent for review.

Finding 2014 – 005

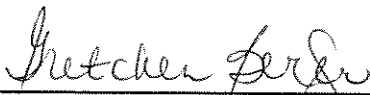
All Special Education employees were listed on the semi-annual certification, but the fiscal year 2014 semi-annual certification was not signed by a supervisor with direct knowledge of the work performed by the employees.

Resolution: All semi-annual certifications will be signed by the Principal or Superintendent.

The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

Due to being a small school corporation with a small student enrollment, funds do not permit hiring additional employees in order to meet the desired segregation of duties.

The school corporation treasurer and all employees involved with Federal grants will submit all documents for approval to other employees for review before submitting them.



Gretchen Berger, Corporation Treasurer, 11/5/2015

 11-5-15

Paul Ketcham, Superintendent, 11/5/2015

#### 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/>.