

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

BAUGO COMMUNITY SCHOOLS
ELKHART COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED

04/21/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Barbara B. Cloud Bruce Perry	07-01-12 to 05-31-13 06-01-13 to 06-30-16
Superintendent of Schools	James H. Dubois	07-01-12 to 06-30-17
President of the School Board	Dwaine Crocker Edward Fisher David Polston Edward Collins	07-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-16



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Baugo 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 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 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, Schedule of Payables and Receivables, 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 January 21, 2016, 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

January 21, 2016



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

TO: THE OFFICIALS OF THE BAUGO 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 Baugo 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 January 21, 2016, 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 items 2014-001 and 2014-002 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

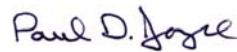
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 2014-002.

Baugo 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

January 21, 2016

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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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BAUGO 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	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 568,572	\$ 11,840,305	\$ 11,548,375	\$ (25,782)	\$ 834,720	\$ 11,726,340	\$ 11,926,540	\$ -	\$ 634,520
Debt Service	1,929,958	3,477,882	3,526,417	-	1,881,423	3,615,767	3,514,828	8,392	1,990,754
Retirement/Severance Bond Debt Service	48,720	230,997	187,918	-	91,799	198,577	191,771	-	98,605
Capital Projects	1,221,077	2,581,134	2,853,470	-	948,741	2,260,898	2,207,613	676	1,002,702
School Transportation	438,305	1,278,981	1,169,981	25,782	573,087	1,171,539	1,239,374	-	505,252
School Bus Replacement	59,181	69,330	-	-	128,511	132,640	54,994	-	206,157
Rainy Day	177,928	-	-	-	177,928	-	-	-	177,928
Retirement/Severance Bond	51,488	-	-	-	51,488	-	-	-	51,488
Construction Fund GOB 2011	603,027	-	492,470	-	110,557	-	40,478	-	70,079
Construction Fund GOB 2013	-	-	-	-	-	-	56,252	1,090,000	1,033,748
School Lunch	222,021	807,240	844,681	-	184,580	737,257	787,215	-	134,622
Textbook Rental	15,488	200,415	314,156	-	(98,253)	211,493	65,927	-	47,313
Self-Insurance	965,343	1,370,431	1,146,279	-	1,189,495	1,352,809	1,219,932	-	1,322,372
Levy Excess	19,463	7,129	-	-	26,592	-	-	-	26,592
Educational License Plates	4,664	113	-	-	4,777	131	-	-	4,908
Alternative Education	-	-	-	-	-	3,353	-	-	3,353
Donation	10,500	-	-	-	10,500	-	-	-	10,500
Wellness/Fitness Grant	491	-	308	-	183	-	-	-	183
Business Scholarship	50	-	-	-	50	-	-	-	50
Miscellaneous Programs	5	-	-	-	5	-	-	-	5
IN Positive Behavior Supp	228	-	-	-	228	-	-	-	228
IN PBIS Grant 2011-12	(1,517)	4,983	3,466	-	-	-	-	-	-
IN Positive Behavior 2012-13	-	3,385	3,581	-	(196)	1,396	1,200	-	-
High Ability	26,693	-	26,327	-	366	-	-	-	366
High Ability 2012-13	-	30,894	29,024	-	1,870	-	1,870	-	-
High Ability 2013-14	-	-	-	-	-	31,462	21,024	-	10,438
Medicaid Reimbursement	16,383	10,100	-	-	26,483	5,935	-	-	32,418
Title III NESP 2012-13	-	5,152	5,200	-	(48)	-	(48)	-	-
Non-English Speaking 2013-2014	-	-	-	-	-	4,222	3,260	-	962
School Technology	1,600	4,701	4,560	-	1,741	4,697	4,970	-	1,468
Title I 2011-12	(61,774)	86,769	24,995	-	-	-	-	-	-
Title I 2012-13	-	206,794	261,552	-	(54,758)	82,536	27,778	-	-
Title I 2013-14	-	-	-	-	-	196,505	224,716	-	(28,211)
SPED Part B 2011-12	(40,871)	56,935	16,064	-	-	-	-	-	-
SPED Part B 2012-13	-	230,922	270,464	-	(39,542)	53,189	13,646	-	1
SPED Part B 2013-14	-	-	-	-	-	175,933	210,610	-	(34,677)
SPED Tech Assist FY2014	-	-	-	-	-	2,400	2,400	-	-
Carl Perkins 2012-13	-	2,000	2,000	-	-	-	-	-	-
Carl Perkins 2013-14	-	-	-	-	-	2,000	2,000	-	-
Medicaid Reimbursement - Federal	30,034	21,360	19,802	-	31,592	32,985	10,024	-	54,553
Title II Part A 2010-11	(2,639)	7,952	5,313	-	-	-	-	-	-
Title II 2011-12	-	39,600	40,280	-	(680)	9,500	8,820	-	-
Title II 2012-13	-	-	5,534	-	(5,534)	34,493	33,729	-	(4,770)
Education Jobs	-	7,390	7,390	-	-	-	-	-	-
Payroll	33,032	2,642,477	2,643,315	-	32,194	2,574,678	2,603,653	-	3,219
Totals	\$ 6,337,450	\$ 25,225,371	\$ 25,452,922	\$ -	\$ 6,109,899	\$ 24,622,735	\$ 24,474,576	\$ 1,099,068	\$ 7,357,126

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

BAUGO 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 may 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.

BAUGO 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.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Other receipts which include amounts received from various sources which include 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 may 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.

Nonprogrammed charges which include outflows 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:

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

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.

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.

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. *Deposits and Investments*

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

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

Note 5. *Risk Management*

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

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

Note 6. *Pension Plans*

A. Public Employees' Retirement Fund

Plan Description

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

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

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

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. 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. The Textbook Rental fund also showed a deficit at June 30, 2013, due to a major textbook adoption from the previous fall and the resulting deferred receipts for that adoption.

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporation*

The School Corporation has entered into a capital lease with Baugo 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 \$2,923,500 and \$2,892,000, respectively.

Note 9. *Tax Anticipation Warrants*

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate fund. Loans outstanding at June 30, 2013, for the Capital Projects and School Transportation funds were \$540,534 and \$298,441, respectively. Loans outstanding at June 30, 2014, for the Capital Projects and School Transportation funds were \$532,634 and \$200,205, respectively.

Note 10. *Subsequent Events*

The School Corporation/School Building Corporation completed a refunding/refinancing of its 2005 Capital Lease to take advantage of lower interest rates in June 2015. The amount of the 2015 Series was \$21,090,000 and closed June 15, 2015.

Note 11. *Other Postemployment Benefits*

The School Corporation provides to eligible retirees and their spouses the following benefits: Administrators receive health, dental, life insurance coverage, and a Medicare supplement plan. Others receive health and dental coverage at School Corporation group rates. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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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.

BAUGO 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction Fund GOB 2011	Construction Fund GOB 2013
Cash and investments - beginning	\$ 568,572	\$ 1,929,958	\$ 48,720	\$ 1,221,077	\$ 438,305	\$ 59,181	\$ 177,928	\$ 51,488	\$ 603,027	\$ -
Receipts:										
Local sources	112,277	3,477,882	230,997	1,588,331	979,203	69,330	-	-	-	-
Intermediate sources	25	-	-	-	-	-	-	-	-	-
State sources	11,712,258	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	989,264	298,441	-	-	-	-	-
Other	15,745	-	-	3,539	1,337	-	-	-	-	-
Total receipts	11,840,305	3,477,882	230,997	2,581,134	1,278,981	69,330	-	-	-	-
Disbursements:										
Current:										
Instruction	7,826,124	-	-	-	-	-	-	-	-	-
Support services	3,541,292	5,880	-	863,306	848,477	-	-	-	10,572	-
Noninstructional services	180,959	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	903,184	1,666	-	-	-	481,898	-
Debt services	-	3,520,537	187,918	1,086,980	319,838	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	11,548,375	3,526,417	187,918	2,853,470	1,169,981	-	-	-	492,470	-
Excess (deficiency) of receipts over disbursements	291,930	(48,535)	43,079	(272,336)	109,000	69,330	-	-	(492,470)	-
Other financing sources (uses):										
Transfers in	-	-	-	-	25,782	-	-	-	-	-
Transfers out	(25,782)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(25,782)	-	-	-	25,782	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	266,148	(48,535)	43,079	(272,336)	134,782	69,330	-	-	(492,470)	-
Cash and investments - ending	\$ 834,720	\$ 1,881,423	\$ 91,799	\$ 948,741	\$ 573,087	\$ 128,511	\$ 177,928	\$ 51,488	\$ 110,557	\$ -

BAUGO 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)

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	Donation	Wellness/ Fitness Grant	Business Scholarship
Cash and investments - beginning	\$ 222,021	\$ 15,488	\$ 965,343	\$ 19,463	\$ 4,664	\$ -	\$ 10,500	\$ 491	\$ 50
Receipts:									
Local sources	360,411	133,681	1,370,431	7,129	-	-	-	-	-
Intermediate sources	-	-	-	-	113	-	-	-	-
State sources	10,274	65,894	-	-	-	-	-	-	-
Federal sources	434,398	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	2,157	840	-	-	-	-	-	-	-
Total receipts	807,240	200,415	1,370,431	7,129	113	-	-	-	-
Disbursements:									
Current:									
Instruction	3,138	-	-	-	-	-	-	-	-
Support services	15,357	314,156	-	-	-	-	-	-	-
Noninstructional services	773,700	-	-	-	-	-	-	-	-
Facilities acquisition and construction	52,486	-	-	-	-	-	-	308	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,146,279	-	-	-	-	-	-
Total disbursements	844,681	314,156	1,146,279	-	-	-	-	308	-
Excess (deficiency) of receipts over disbursements	(37,441)	(113,741)	224,152	7,129	113	-	-	(308)	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(37,441)	(113,741)	224,152	7,129	113	-	-	(308)	-
Cash and investments - ending	\$ 184,580	\$ (98,253)	\$ 1,189,495	\$ 26,592	\$ 4,777	\$ -	\$ 10,500	\$ 183	\$ 50

BAUGO 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)

	Miscellaneous Programs	IN Positive Behavior Supp	IN PBIS Grant 2011-12	IN Positive Behavior 2012-13	High Ability	High Ability 2012-13	High Ability 2013-14	Medicaid Reimbursement	Title III NESP 2012-13
Cash and investments - beginning	\$ 5	\$ 228	\$ (1,517)	\$ -	\$ 26,693	\$ -	\$ -	\$ 16,383	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	4,983	3,385	-	30,894	-	10,100	5,152
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	4,983	3,385	-	30,894	-	10,100	5,152
Disbursements:									
Current:									
Instruction	-	-	-	-	26,327	29,024	-	-	5,200
Support services	-	-	3,466	3,581	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	3,466	3,581	26,327	29,024	-	-	5,200
Excess (deficiency) of receipts over disbursements	-	-	1,517	(196)	(26,327)	1,870	-	10,100	(48)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	1,517	(196)	(26,327)	1,870	-	10,100	(48)
Cash and investments - ending	\$ 5	\$ 228	\$ -	\$ (196)	\$ 366	\$ 1,870	\$ -	\$ 26,483	\$ (48)

BAUGO 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)

	Non-English Speaking 2013-2014	School Technology	Title I 2011-12	Title I 2012-13	Title I 2013-14	SPED Part B 2011-12	SPED Part B 2012-13	SPED Part B 2013-14	SPED Tech Assist FY2014
Cash and investments - beginning	\$ -	\$ 1,600	\$ (61,774)	\$ -	\$ -	\$ (40,871)	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	4,701	-	-	-	-	-	-	-
Federal sources	-	-	86,769	206,794	-	56,935	230,922	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	4,701	86,769	206,794	-	56,935	230,922	-	-
Disbursements:									
Current:									
Instruction	-	-	20,327	261,552	-	16,064	267,521	-	-
Support services	-	4,560	4,168	-	-	-	2,943	-	-
Noninstructional services	-	-	500	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	4,560	24,995	261,552	-	16,064	270,464	-	-
Excess (deficiency) of receipts over disbursements	-	141	61,774	(54,758)	-	40,871	(39,542)	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	141	61,774	(54,758)	-	40,871	(39,542)	-	-
Cash and investments - ending	\$ -	\$ 1,741	\$ -	\$ (54,758)	\$ -	\$ -	\$ (39,542)	\$ -	\$ -

BAUGO 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)

	Carl Perkins 2012-13	Carl Perkins 2013-14	Medicaid Reimbursement - Federal	Title II Part A 2010-11	Title II 2011-12	Title II 2012-13	Education Jobs	Payroll	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 30,034	\$ (2,639)	\$ -	\$ -	\$ -	\$ 33,032	\$ 6,337,450
Receipts:									
Local sources	-	-	-	-	-	-	-	-	8,329,672
Intermediate sources	-	-	-	-	-	-	-	-	138
State sources	-	-	-	-	-	-	-	-	11,847,641
Federal sources	2,000	-	21,360	7,952	39,600	-	7,390	-	1,094,120
Temporary loans	-	-	-	-	-	-	-	-	1,287,705
Other	-	-	-	-	-	-	-	2,642,477	2,666,095
Total receipts	2,000	-	21,360	7,952	39,600	-	7,390	2,642,477	25,225,371
Disbursements:									
Current:									
Instruction	2,000	-	351	-	-	-	7,390	-	8,465,018
Support services	-	-	2,658	5,313	40,280	5,534	-	-	5,671,543
Noninstructional services	-	-	-	-	-	-	-	-	955,159
Facilities acquisition and construction	-	-	16,793	-	-	-	-	-	1,456,335
Debt services	-	-	-	-	-	-	-	-	5,115,273
Nonprogrammed charges	-	-	-	-	-	-	-	2,643,315	3,789,594
Total disbursements	2,000	-	19,802	5,313	40,280	5,534	7,390	2,643,315	25,452,922
Excess (deficiency) of receipts over disbursements	-	-	1,558	2,639	(680)	(5,534)	-	(838)	(227,551)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	25,782
Transfers out	-	-	-	-	-	-	-	-	(25,782)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	1,558	2,639	(680)	(5,534)	-	(838)	(227,551)
Cash and investments - ending	\$ -	\$ -	\$ 31,592	\$ -	\$ (680)	\$ (5,534)	\$ -	\$ 32,194	\$ 6,109,899

BAUGO 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction Fund GOB 2011	Construction Fund GOB 2013
Cash and investments - beginning	\$ 834,720	\$ 1,881,423	\$ 91,799	\$ 948,741	\$ 573,087	\$ 128,511	\$ 177,928	\$ 51,488	\$ 110,557	\$ -
Receipts:										
Local sources	118,384	3,615,767	198,577	1,540,476	971,334	132,640	-	-	-	-
Intermediate sources	8	-	-	-	-	-	-	-	-	-
State sources	11,600,838	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	720,387	200,205	-	-	-	-	-
Other	7,110	-	-	35	-	-	-	-	-	-
Total receipts	11,726,340	3,615,767	198,577	2,260,898	1,171,539	132,640	-	-	-	-
Disbursements:										
Current:										
Instruction	7,811,857	-	-	-	-	-	-	-	-	-
Support services	3,888,016	24,671	-	921,181	938,454	54,994	-	-	-	2,698
Noninstructional services	226,667	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	558,145	2,479	-	-	-	40,478	53,554
Debt services	-	3,490,157	191,771	728,287	298,441	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	11,926,540	3,514,828	191,771	2,207,613	1,239,374	54,994	-	-	40,478	56,252
Excess (deficiency) of receipts over disbursements	(200,200)	100,939	6,806	53,285	(67,835)	77,646	-	-	(40,478)	(56,252)
Other financing sources (uses):										
Proceeds of long-term debt	-	8,392	-	-	-	-	-	-	-	1,090,000
Sale of capital assets	-	-	-	676	-	-	-	-	-	-
Total other financing sources (uses)	-	8,392	-	676	-	-	-	-	-	1,090,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(200,200)	109,331	6,806	53,961	(67,835)	77,646	-	-	(40,478)	1,033,748
Cash and investments - ending	\$ 634,520	\$ 1,990,754	\$ 98,605	\$ 1,002,702	\$ 505,252	\$ 206,157	\$ 177,928	\$ 51,488	\$ 70,079	\$ 1,033,748

BAUGO 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)

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	Donation	Wellness/ Fitness Grant	Business Scholarship
Cash and investments - beginning	\$ 184,580	\$ (98,253)	\$ 1,189,495	\$ 26,592	\$ 4,777	\$ -	\$ 10,500	\$ 183	\$ 50
Receipts:									
Local sources	318,060	125,959	1,352,809	-	-	-	-	-	-
Intermediate sources	-	-	-	-	131	-	-	-	-
State sources	10,281	85,534	-	-	-	3,353	-	-	-
Federal sources	407,765	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	1,151	-	-	-	-	-	-	-	-
Total receipts	737,257	211,493	1,352,809	-	131	3,353	-	-	-
Disbursements:									
Current:									
Instruction	2,494	-	-	-	-	-	-	-	-
Support services	30,871	65,927	-	-	-	-	-	-	-
Noninstructional services	751,990	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,860	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,219,932	-	-	-	-	-	-
Total disbursements	787,215	65,927	1,219,932	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(49,958)	145,566	132,877	-	131	3,353	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(49,958)	145,566	132,877	-	131	3,353	-	-	-
Cash and investments - ending	\$ 134,622	\$ 47,313	\$ 1,322,372	\$ 26,592	\$ 4,908	\$ 3,353	\$ 10,500	\$ 183	\$ 50

BAUGO 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)

	Miscellaneous Programs	IN Positive Behavior Supp	IN PBIS Grant 2011-12	IN Positive Behavior 2012-13	High Ability	High Ability 2012-13	High Ability 2013-14	Medicaid Reimbursement	Title III NESP 2012-13
Cash and investments - beginning	\$ 5	\$ 228	\$ -	\$ (196)	\$ 366	\$ 1,870	\$ -	\$ 26,483	\$ (48)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	1,396	-	-	31,462	5,935	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	1,396	-	-	31,462	5,935	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	1,870	21,024	-	(48)
Support services	-	-	-	1,200	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	1,200	-	1,870	21,024	-	(48)
Excess (deficiency) of receipts over disbursements	-	-	-	196	-	(1,870)	10,438	5,935	48
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	196	-	(1,870)	10,438	5,935	48
Cash and investments - ending	\$ 5	\$ 228	\$ -	\$ -	\$ 366	\$ -	\$ 10,438	\$ 32,418	\$ -

BAUGO 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)

	Non-English Speaking 2013-2014	School Technology	Title I 2011-12	Title I 2012-13	Title I 2013-14	SPED Part B 2011-12	SPED Part B 2012-13	SPED Part B 2013-14	SPED Tech Assist FY2014
Cash and investments - beginning	\$ -	\$ 1,741	\$ -	\$ (54,758)	\$ -	\$ -	\$ (39,542)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	4,222	4,697	-	-	-	-	-	-	-
Federal sources	-	-	-	82,536	196,505	-	53,189	175,933	2,400
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	4,222	4,697	-	82,536	196,505	-	53,189	175,933	2,400
Disbursements:									
Current:									
Instruction	3,260	-	-	19,443	185,701	-	13,646	210,610	2,400
Support services	-	4,970	-	8,335	34,451	-	-	-	-
Noninstructional services	-	-	-	-	4,564	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	3,260	4,970	-	27,778	224,716	-	13,646	210,610	2,400
Excess (deficiency) of receipts over disbursements	962	(273)	-	54,758	(28,211)	-	39,543	(34,677)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	962	(273)	-	54,758	(28,211)	-	39,543	(34,677)	-
Cash and investments - ending	\$ 962	\$ 1,468	\$ -	\$ -	\$ (28,211)	\$ -	\$ 1	\$ (34,677)	\$ -

BAUGO 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)

	Carl Perkins 2012-13	Carl Perkins 2013-14	Medicaid Reimbursement - Federal	Title II Part A 2010-11	Title II 2011-12	Title II 2012-13	Education Jobs	Payroll	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 31,592	\$ -	\$ (680)	\$ (5,534)	\$ -	\$ 32,194	\$ 6,109,899
Receipts:									
Local sources	-	-	-	-	-	-	-	-	8,374,006
Intermediate sources	-	-	-	-	-	-	-	-	139
State sources	-	-	-	-	-	-	-	-	11,747,718
Federal sources	-	2,000	32,985	-	9,500	34,493	-	-	997,306
Temporary loans	-	-	-	-	-	-	-	-	920,592
Other	-	-	-	-	-	-	-	2,574,678	2,582,974
Total receipts	-	2,000	32,985	-	9,500	34,493	-	2,574,678	24,622,735
Disbursements:									
Current:									
Instruction	-	2,000	3,340	-	-	-	-	-	8,277,597
Support services	-	-	1,497	-	8,820	33,729	-	-	6,019,814
Noninstructional services	-	-	-	-	-	-	-	-	983,221
Facilities acquisition and construction	-	-	5,187	-	-	-	-	-	661,703
Debt services	-	-	-	-	-	-	-	-	4,708,656
Nonprogrammed charges	-	-	-	-	-	-	-	2,603,653	3,823,585
Total disbursements	-	2,000	10,024	-	8,820	33,729	-	2,603,653	24,474,576
Excess (deficiency) of receipts over disbursements	-	-	22,961	-	680	764	-	(28,975)	148,159
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	1,098,392
Sale of capital assets	-	-	-	-	-	-	-	-	676
Total other financing sources (uses)	-	-	-	-	-	-	-	-	1,099,068
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	22,961	-	680	764	-	(28,975)	1,247,227
Cash and investments - ending	\$ -	\$ -	\$ 54,553	\$ -	\$ -	\$ (4,770)	\$ -	\$ 3,219	\$ 7,357,126

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BAUGO COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ <u>322</u>	\$ <u>-</u>

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

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities: Baugo School Building Corporation	New School Building Project and Renovations	<u>\$ 2,867,000</u>	8/17/2005	12/31/2024

<u>Type</u>	<u>Description of Debt</u>	<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
Governmental activities:			
General obligation bonds	Facility Repairs Equipment Purchases	\$ 1,090,000	\$ 562,067
General obligation bonds	Pension Bond	905,000	190,083
Tax anticipation warrants	Short term financing for transportation and capital projects funds	<u>732,839</u>	<u>737,944</u>
Totals		<u>\$ 2,727,839</u>	<u>\$ 1,490,094</u>

BAUGO COMMUNITY SCHOOLS
SCHEDULE OF CAPITAL ASSETS
June 30, 2014

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.

	Ending Balance
Governmental activities:	
Land	\$ 282,449
Buildings	43,253,551
Improvements other than buildings	1,404,471
Machinery, equipment, and vehicles	<u>3,005,919</u>
Total capital assets	<u>\$ 47,946,390</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 BAUGO COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Baugo 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)

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 2014-003 and 2014-004 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

January 21, 2016

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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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BAUGO 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	Federal CFDA Number	Pass-Through Entity And Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>				
Child Nutrition Cluster		Indiana Department of Education		
School Breakfast Program	10.553	FY12-14	\$ 69,517	\$ 70,012
National School Lunch Program	10.555	FY12-14	428,431	415,282
Total - Child Nutrition Cluster			497,948	485,294
<u>Department of Education</u>				
Special Education Cluster		Indiana Department of Education		
Special Education - Grants to States	84.027	14212-016-PN01	56,935	-
SPEC 2011-12		14213-016-PN01	230,922	53,189
SPED 2012-13		14214-016-PN01	-	175,933
SPED 2013-14				
Total - Special Education Cluster			287,857	229,122
Title I, Part A Cluster		Indiana Department of Education		
Title I Grants to Local Education Agencies	84.010	S010A110014	86,769	-
Title I 2011-12		S010A120014	206,794	82,536
Title I 2012-13		S010A130014	-	196,505
Title I 2013-14				
Total - Title I, Part A Cluster			293,563	279,041
Career and Technical Education - Basic Grants to States	84.048	Elkhart Community Schools		
Carl Perkins 2012-2013		FY 2012-2013	2,000	-
Carl Perkins 2013-2014		FY 2013-2014	-	2,000
Total for program			2,000	2,000
Special Education - State Personnel Development	84.323	Indiana Department of Education		
		EDS#A--58-11CI-232	4,983	
		EDS#A--58-11CI-232	3,385	1,396
	84.323	Elkhart Community Schools		
		99910-TA01	-	2,400
Total for program			8,368	3,796
Improving Teacher Quality State Grants	84.367	Indiana Department of Education		
Title II 2010-11		FY 2010-2011	7,952	
Title II 2012-13		FY 2012-2013	39,600	9,500
Title II 2013-14		FY 2013-2014	-	34,493
Total for program			47,552	43,993
Education Jobs Fund	84.410	Indiana Department of Education		
		FY 2011-2012	7,390	-
Total - Department of Education			646,730	557,952
Total federal awards expended			\$ 1,144,678	\$ 1,043,246

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

BAUGO 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	2012-2013	2013-2014
National School Lunch Program	10.555	\$ 63,550	\$ 77,529

BAUGO 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

Child Nutrition Cluster
Title I, Part A 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 - INTERNAL CONTROLS OVER 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: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, posting of receipts, and the preparation of the bank reconcilements. One person is solely responsible for all aspects of the receipt process and the preparation of the bank reconciliations. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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

2. Monitoring of Controls: An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

The failure to establish these controls could enable misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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)

FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation incorrectly identified federal programs and incorrectly reported federal expenditures for FY13 and FY14 as follows:

1. The SEFA presented for audit did not include \$983,242 in expenditures for the Child Nutrition Cluster. The following grant expenditures were also not included in the SEFA presented for audit; CFDA #84.048 and CFDA #84.323. The expenditures were \$4,000 and \$9,764, respectively.
2. Three program titles for the programs were incorrect.

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.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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

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.
- (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."

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - ALLOWABLE ACTIVITIES, CASH MANAGEMENT, ELIGIBILITY, REPORTING

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553, 10.555
Federal Award Number and Year: 2012-2013, 2013-2014
Pass-Through Entity: Indiana Department of Education

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: Allowable Activities, Cash Management, Eligibility, 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 programs.

Allowable Activities

During the audit period, the claims paid for the national school lunch program was not being reviewed/approved before being processed for payment.

Cash Management

There is no evidence of any calculations being made to ensure that the monthly cash balances do not exceed the average of three months of expenses as required.

Eligibility

The School Corporation uses two individuals to process the Free and Reduce Lunch applications. One person is responsible for processing applications on the Mealtime Software System (Mealtime) and one person is responsible for comparing the information processed on Mealtime to the original applications submitted. Once this process has been completed, the eligibility status is calculated by Mealtime and the final determination was not verified. There were also no internal controls to ensure that the federal eligibility income guidelines in Mealtime were the same as to the ones approved by the Indiana Department of Education.

Reporting

There is no documentation to indicate that there were any controls over the reporting process.

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 programs. 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.

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

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 - SPECIAL TEST AND PROVISIONS

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program

CFDA Number: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

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: Special Tests and Provisions - Verification of Free and Reduce Lunch Applications.

The School Corporation has not designed or implemented internal control procedures to ensure compliance with the requirements for Special Tests and Provisions. The School Corporation did not have controls in place to ensure that only the required sample size selected for the verification of free and reduce lunch applications was not effective. As a result of this weakness in the internal control, more applications were verified than what was required.

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 programs.

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 programs. 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.

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

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 to comply and comply with the compliance requirements related to Special Tests and Provisions.

AUDITEE PREPARED DOCUMENT

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



**BAUGO
COMMUNITY
SCHOOLS**

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29125 County Road 22 West - Elkhart, Indiana 46517 / Phone 574-293-8583 / Fax 574-294-2171

CORRECTIVE ACTION PLAN

FINDING 2014-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING


Contact Person Responsible for Corrective Action: Bruce Perry
Contact Phone Number: 574-293-8583

Description of Corrective Action Plan:


The Deputy Treasurer currently prepares the receipts and prepares the bank reconciliations. The Treasurer reviews the bank reconciliation and serves as the reviewer/auditor of all financial transactions.

The Treasurer will continue to review and develop more formalized internal controls. As new staff are trained and become more proficient in their duties, opportunities to further segregate duties will occur.


Anticipated Completion Date: Effective immediately as of January 21, 2016.



(Signature)



(Title)



(Date)



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CORRECTIVE ACTION PLAN

FINDING 2014-002 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS


Contact Person Responsible for Corrective Action: Bruce Perry

Contact Phone Number: 574-293-8583

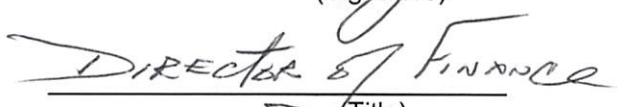
Description of Corrective Action Plan:

The Schedule of Federal Awards will be prepared by the Deputy Treasurer and reviewed by the Treasurer prior to it being submitted.


Anticipated Completion Date: Effective immediately as of January 21, 2016.



(Signature)



(Title)



(Date)



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CORRECTIVE ACTION PLAN

FINDING 2014-003 Allowable Activities, Cash Management, Eligibility, Reporting


Contact Person Responsible for Corrective Action: Bruce Perry


Contact Phone Number: 574-293-8583

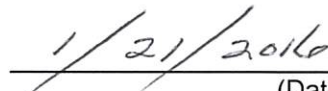
Description of Corrective Action Plan:

Establishment of an effective internal control system regarding segregation of duties related to the grant agreement and the compliance requirements: Allowable Activities, Cash Management, Eligibility, and Reporting will be resolved with additional procedures and involvement of additional staff. All national school lunch claims will be reviewed/approved by the Food Service Director and additional review/verification will be performed by the Business Office Specialist prior to a claim being paid. The Business Office Specialist will provide via email a monthly report of the Food Service Fund balance, Revenue and Expenditure Summary to the Food Service Director. The monthly Food Service Fund report has been modified to include a calculation of the average of 3 months expenses versus the current cash balance. The Food Service Director will affirm a review of the monthly performance report via email back to the Business Office Specialist and the Treasurer. Regarding Eligibility, a first review of applications will be performed by the Food Service Administrative Assistant. A second review will be performed by the Administrative Assistant to the Treasurer and a final review will be performed by the Director of Food Service. All reviewing individuals will initial and date the application. The Treasurer will annually review the federal eligibility income guidelines in the purchased software system (Mealtime) have been properly updated to coincide with the values approved by the Department of Education. Reporting with respect to preparation of the monthly reimbursement claim to the Indiana Department of Education will be prepared by the Food Service Administrative Assistant, including supplemental reports from Mealtime. The Business Office Specialist will then review/confirm the amount of the reimbursement. The Food Service Director will perform a final review prior to submission of the request.

Anticipated Completion Date: Effective immediately as of January 21, 2016.


(Signature)


(Title)


(Date)



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CORRECTIVE ACTION PLAN

FINDING 2014-004 SPECIAL TEST AND PROVISIONS

Contact Person Responsible for Corrective Action: Bruce Perry

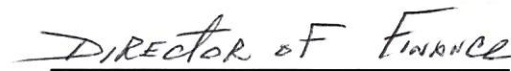
Contact Phone Number: 574-293-8583

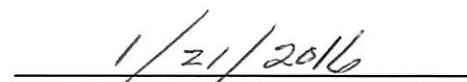
Description of Corrective Action Plan:

Establishment of an effective internal control system regarding segregation of duties, related to the grant agreement and the compliance requirements of Special Tests and Provisions- Verification of Free and Reduced Lunch Applications will be resolved by utilizing the standard sample size as required by the Indiana Department of Education. A first review of applications will be performed by the Food Service Administrative Assistant. A second review will be performed by the Administrative Assistant to the Treasurer and a final review will be performed by the Director of Food Service. All reviewing individuals will initial and date the application.

Anticipated Completion Date: Effective immediately as of January 21, 2016.


(Signature)


(Title)


(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/>.