

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

**Paul D. Joyce, CPA
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

MIDDLEBURY COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

02/18/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lisa Stutsman	07-01-22 to 06-30-25
Superintendent of Schools	Jayson Snyder	07-01-22 to 06-30-25
President of the School Board	Kate Hummel	07-01-22 to 06-30-25



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INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769
Telephone: (317) 232-2513
Fax: (317) 232-4711
www.in.gov/sboa

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

This report is supplemental to the audit report of the Middlebury Community Schools (School Corporation), for the period from July 1, 2022 to June 30, 2024. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with the Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

January 9, 2025

MIDDLEBURY COMMUNITY SCHOOLS
AUDIT RESULT AND COMMENT

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following grant schedule errors:

- The National School Lunch Program expenditures were understated by \$203,940 and \$133,197 for fiscal years 2022-2023 and 2023-2024, respectively.
- Expenditures were reported for the Child and Adult Care Food Program in error, which resulted in an overstatement of expenditures in the amount of \$207,075 and \$133,197 for 2022-2023 and 2023-2024, respectively.
- The Special Education Grants to the States expenditures were understated by \$843,269 and \$733,215 for 2022-2023 and 2023-2024, respectively.
- The Special Education Preschool Grants expenditures were overstated by \$735,410 and \$267,397 for 2022-2023 and 2023-2024, respectively.
- Expenditures of federal awards were reported under an invalid Assistance Listings Number, 84.012, which resulted in an overstatement of expenditures in the amount of \$107,859 and \$480,765 for 2022-2023 and 2023-2024, respectively.
- Four additional federal grants had individually immaterial errors or omissions that resulted in an overstatement of expenditures totaling \$13,197 for 2022-2023.
- Four additional federal grants had individually immaterial errors that resulted in an understatement of expenditures totaling \$45,979 for 2023-2024.
- Other errors included incorrect program names, pass-through entities, and identifying numbers.

MIDDLEBURY COMMUNITY SCHOOLS
AUDIT RESULT AND COMMENT
(Continued)

The SEFA presented in the Federal Compliance Audit Report of the School Corporation is compiled based upon the information included in the grant schedule. Therefore, these errors also appeared in the SEFA. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

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

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

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

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

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

MIDDLEBURY COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 9, 2025, with Lisa Stutsman, Treasurer; Morgan Miller, Assistant Business Manager; Kate Hummel, President of the School Board; Don Anderson, School Board member; and Jayson Snyder, Superintendent of Schools.