

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

MANCHESTER COMMUNITY SCHOOLS  
WABASH COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
01/26/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kendra J. Miller Scott T. Bumgardner	07-01-14 to 01-12-16 01-13-16 to 06-30-18
Superintendent of Schools	Dr. William C. Reichhart (Vacant) Michael E. Pettibone (interim)	07-01-14 to 06-30-17 07-01-17 to 07-09-17 07-10-17 to 06-30-18
President of the School Board	Sally S. Krouse Stephen D. Flack	07-01-14 to 12-31-14 01-01-15 to 12-31-17



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Manchester Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

***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, 2014 to June 30, 2016, 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 December 13, 2017, 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

December 13, 2017



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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 MANCHESTER COMMUNITY SCHOOLS, WABASH 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 Manchester Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated December 13, 2017, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002 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**

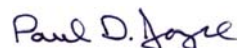
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 2016-001.

**Manchester 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

December 13, 2017

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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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MANCHESTER COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 732,284	\$ 10,723,621	\$ 10,719,204	\$ -	\$ 736,701	\$ 10,555,223	\$ 10,274,750	\$ -	\$ 1,017,174
Debt Service	622,351	1,277,709	1,229,539	(54,133)	616,388	1,291,115	1,234,463	-	673,040
Retirement/Severance Bond Debt Service	123,972	209,411	213,131	-	120,252	217,166	214,872	-	122,546
Capital Projects	450,061	1,705,105	1,614,068	-	541,098	1,862,010	1,624,447	-	778,661
School Transportation	300,640	887,116	859,944	-	327,812	914,333	906,301	-	335,844
School Bus Replacement	154,586	76,389	107,488	-	123,487	28,147	116,639	12,602	47,597
Rainy Day	-	-	-	-	-	35,415	-	-	35,415
Retirement/Severance Bond	1,341	-	-	-	1,341	-	-	-	1,341
School Lunch	(30,129)	1,057,154	1,028,843	-	(1,818)	1,002,076	1,017,464	-	(17,206)
Textbook Rental	(4,891)	179,792	131,410	54,133	97,624	165,304	200,142	-	62,786
Self-Insurance	-	42,788	36,363	-	6,425	37,634	42,361	-	1,698
Educational License Plates	778	169	-	-	947	207	-	-	1,154
Alternative Education	2,222	3,799	5,799	-	222	10,434	10,656	-	-
Early Lit FY 15-16	-	-	-	-	-	6,110	12,200	-	(6,090)
Donations/PEPSI	177	433	439	-	171	401	403	-	169
Pro Claim Trust	-	-	-	-	-	777,862	193,536	-	584,326
Peabody Art Donation	-	500	34	-	466	-	76	-	390
Strauss Family Professional Development	21,134	-	5,063	-	16,071	-	6,351	-	9,720
Monsanto Grant	878	-	878	-	-	-	-	-	-
Renovation Bond	-	-	-	-	-	227,457	227,457	-	-
Miscellaneous Programs	863	15,000	9,505	-	6,358	15,000	18,845	-	2,513
Miscellaneous Programs/Latchkey	430	-	-	-	430	-	-	-	430
Community Foundation/Tri Kappa	768	681	879	-	570	300	236	-	634
Bergstedt/Germany	-	13,000	13,000	-	-	4,300	4,300	-	-
MES Playground Equipment	5,420	-	5,420	-	-	-	-	-	-
MES Supplies/MC Donation	444	-	195	-	249	-	-	-	249
Community Foundation Begingergarten FY 14-15	10,000	-	10,000	-	-	-	-	-	-
Begingergarten FY 15-16	-	16,000	-	-	16,000	-	15,568	-	432
MIS/Student Financial Needs	891	-	48	-	843	-	154	-	689
Academic Excellence	297	7,000	4,128	-	3,169	4,500	3,757	-	3,912
Formative Assessment	-	-	-	-	-	17,226	17,226	-	-
Gifted/Talented FY 14-15	-	30,565	29,194	-	1,371	-	1,371	-	-
Gifted/Talented FY 15-16	-	-	-	-	-	32,149	27,898	-	4,251
Secured Schools Safety Grant	(6,004)	54,928	48,924	-	-	7,140	5,357	-	1,783
Non-English Speaking FY 14-15	-	4,581	4,581	-	-	-	-	-	-
Non-English Speaking FY 15-16	-	-	-	-	-	10,271	10,271	-	-
School Technology	50,140	117,435	84,124	-	83,451	134,871	154,976	-	63,346
Common School Technology	-	-	-	-	-	83,607	83,607	-	-
Performance Based Awards	-	55,596	53,684	-	1,912	-	-	-	1,912
Senator David Ford Technology	-	-	24,608	-	(24,608)	80,737	59,578	-	(3,449)
Title I FY 15-16	-	-	-	-	-	231,909	252,355	-	(20,446)
Title I FY 13-14	(27,401)	66,501	39,100	-	-	-	-	-	-
Title I FY 14-15	-	186,803	205,385	-	(18,582)	87,678	69,096	-	-
Title II, Part A FY 13-14	(2,000)	21,517	19,517	-	-	-	-	-	-
Title II, Part A FY 14-15	-	18,706	21,854	-	(3,148)	29,605	26,457	-	-
Title II, Part A FY 15-16	-	-	-	-	-	18,915	22,072	-	(3,157)
Rural and Low Income FY 14-15	-	30,462	30,462	-	-	-	-	-	-
Rural and Low Income FY 15-16	-	-	-	-	-	4,435	8,870	-	(4,435)
Title III 14 -16	-	2,136	2,351	-	(215)	2,860	2,766	-	(121)
Clearing	(25,017)	2,513,220	2,416,519	-	71,684	2,974,274	2,939,190	-	106,768
Totals	\$ 2,384,235	\$ 19,318,117	\$ 18,975,681	\$ -	\$ 2,726,671	\$ 20,870,671	\$ 19,806,068	\$ 12,602	\$ 3,803,876

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

MANCHESTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

MANCHESTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*E. Disbursements*

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

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

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

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

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

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

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

*F. Other Financing Sources and Uses*

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

*Sale of capital assets.* Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

MANCHESTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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

MANCHESTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**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.

MANCHESTER 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. The School Lunch fund had disbursements in excess of receipts. All other funds with deficits in cash are a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2015 and 2016.

**Note 8. Holding Corporations**

The School Corporation has entered into capital leases with Manchester Elementary School Building Corporation and Manchester High School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for leases to the School Corporation. The lessors have been determined to be related-parties of the School Corporation. Lease payments during the fiscal years ended June 30, 2015 and 2016, totaled \$736,000 and \$752,000, respectively.

#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the 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 School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

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MANCHESTER COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 732,284	\$ 622,351	\$ 123,972	\$ 450,061	\$ 300,640	\$ 154,586	\$ -	\$ 1,341	\$ (30,129)
Receipts:									
Local sources	85,383	1,277,709	209,411	1,199,323	683,885	76,389	-	-	428,642
Intermediate sources	24	-	-	-	-	-	-	-	-
State sources	10,324,006	-	-	-	-	-	-	-	9,946
Federal sources	-	-	-	-	-	-	-	-	617,978
Temporary loans	300,000	-	-	500,000	200,000	-	-	-	-
Other receipts	14,208	-	-	5,782	3,231	-	-	-	588
Total receipts	10,723,621	1,277,709	209,411	1,705,105	887,116	76,389	-	-	1,057,154
Disbursements:									
Instruction	6,764,167	-	-	-	-	-	-	-	-
Support services	3,443,599	-	-	623,857	659,944	107,488	-	-	1,966
Noninstructional services	196,193	-	-	-	-	-	-	-	1,026,877
Facilities acquisition and construction	15,245	-	-	490,211	-	-	-	-	-
Debt service	300,000	1,229,539	213,131	500,000	200,000	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	10,719,204	1,229,539	213,131	1,614,068	859,944	107,488	-	-	1,028,843
Excess (deficiency) of receipts over disbursements	4,417	48,170	(3,720)	91,037	27,172	(31,099)	-	-	28,311
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	(54,133)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(54,133)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,417	(5,963)	(3,720)	91,037	27,172	(31,099)	-	-	28,311
Cash and investments - ending	\$ 736,701	\$ 616,388	\$ 120,252	\$ 541,098	\$ 327,812	\$ 123,487	\$ -	\$ 1,341	\$ (1,818)

MANCHESTER COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2015

	Textbook Rental	Self- Insurance	Educational License Plates	Alternative Education	Early Lit FY 15-16	Donations/ PEPSI	Pro Claim Trust	Peabody Art Donation	Strauss Family Professional Development
Cash and investments - beginning	\$ (4,891)	\$ -	\$ 778	\$ 2,222	\$ -	\$ 177	\$ -	\$ -	\$ 21,134
Receipts:									
Local sources	116,318	1,048	-	-	-	433	-	500	-
Intermediate sources	-	-	169	-	-	-	-	-	-
State sources	63,426	-	-	3,799	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	48	41,740	-	-	-	-	-	-	-
Total receipts	179,792	42,788	169	3,799	-	433	-	500	-
Disbursements:									
Instruction	-	-	-	3,799	-	-	-	34	-
Support services	131,410	36,363	-	2,000	-	439	-	-	5,063
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	131,410	36,363	-	5,799	-	439	-	34	5,063
Excess (deficiency) of receipts over disbursements	48,382	6,425	169	(2,000)	-	(6)	-	466	(5,063)
Other financing sources (uses):									
Transfers in	54,133	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	54,133	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	102,515	6,425	169	(2,000)	-	(6)	-	466	(5,063)
Cash and investments - ending	\$ 97,624	\$ 6,425	\$ 947	\$ 222	\$ -	\$ 171	\$ -	\$ 466	\$ 16,071

MANCHESTER COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

	Monsanto Grant	Renovation Bond	Miscellaneous Programs	Miscellaneous Programs/ Latchkey	Community Foundation/ Tri Kappa	Bergstedt/ Germany	MES Playground Equipment	MES Supplies/ MC Donation	Community Foundation Beginnergarten FY 14-15
Cash and investments - beginning	\$ 878	\$ -	\$ 863	\$ 430	\$ 768	\$ -	\$ 5,420	\$ 444	\$ 10,000
Receipts:									
Local sources	-	-	15,000	-	681	13,000	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	15,000	-	681	13,000	-	-	-
Disbursements:									
Instruction	878	-	-	-	-	13,000	5,420	195	10,000
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	9,505	-	879	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	878	-	9,505	-	879	13,000	5,420	195	10,000
Excess (deficiency) of receipts over disbursements	(878)	-	5,495	-	(198)	-	(5,420)	(195)	(10,000)
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	(878)	-	5,495	-	(198)	-	(5,420)	(195)	(10,000)
Cash and investments - ending	\$ -	\$ -	\$ 6,358	\$ 430	\$ 570	\$ -	\$ -	\$ 249	\$ -

MANCHESTER COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

	Beginnergarten FY 15-16	MIS/Student Financial Needs	Academic Excellence	Formative Assessment	Gifted/ Talented FY 14-15	Gifted/ Talented FY 15-16	Secured Schools Safety Grant	Non-English Speaking FY 14-15
Cash and investments - beginning	\$ -	\$ 891	\$ 297	\$ -	\$ -	\$ -	\$ (6,004)	\$ -
Receipts:								
Local sources	16,000	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	30,565	-	54,928	4,581
Federal sources	-	-	7,000	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	16,000	-	7,000	-	30,565	-	54,928	4,581
Disbursements:								
Instruction	-	-	-	-	29,194	-	-	4,581
Support services	-	-	4,128	-	-	-	48,924	-
Noninstructional services	-	48	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	48	4,128	-	29,194	-	48,924	4,581
Excess (deficiency) of receipts over disbursements	16,000	(48)	2,872	-	1,371	-	6,004	-
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	16,000	(48)	2,872	-	1,371	-	6,004	-
Cash and investments - ending	\$ 16,000	\$ 843	\$ 3,169	\$ -	\$ 1,371	\$ -	\$ -	\$ -

MANCHESTER COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

	Non-English Speaking FY 15-16	School Technology	Common School Technology	Performance Based Awards	Senator David Ford Technology	Title I FY 15-16	Title I FY 13-14	Title I FY 14-15
Cash and investments - beginning	\$ -	\$ 50,140	\$ -	\$ -	\$ -	\$ -	\$ (27,401)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	117,435	-	55,596	-	-	-	-
Federal sources	-	-	-	-	-	-	66,501	186,803
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	117,435	-	55,596	-	-	66,501	186,803
Disbursements:								
Instruction	-	-	-	-	-	-	38,456	201,991
Support services	-	84,124	-	53,684	3,131	-	644	3,049
Noninstructional services	-	-	-	-	-	-	-	345
Facilities acquisition and construction	-	-	-	-	21,477	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	84,124	-	53,684	24,608	-	39,100	205,385
Excess (deficiency) of receipts over disbursements	-	33,311	-	1,912	(24,608)	-	27,401	(18,582)
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	-	33,311	-	1,912	(24,608)	-	27,401	(18,582)
Cash and investments - ending	\$ -	\$ 83,451	\$ -	\$ 1,912	\$ (24,608)	\$ -	\$ -	\$ (18,582)

MANCHESTER COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2015

	Title II, Part A FY 13-14	Title II, Part A FY 14-15	Title II, Part A FY 15-16	Rural and Low Income FY 14-15	Rural and Low Income FY 15-16	Title III 14-16	Clearing	Totals
Cash and investments - beginning	\$ (2,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (25,017)	\$ 2,384,235
Receipts:								
Local sources	-	-	-	-	-	-	-	4,123,722
Intermediate sources	-	-	-	-	-	-	-	193
State sources	-	-	-	-	-	2,136	-	10,666,418
Federal sources	21,517	18,706	-	30,462	-	-	-	948,967
Temporary loans	-	-	-	-	-	-	-	1,000,000
Other receipts	-	-	-	-	-	-	2,513,220	2,578,817
Total receipts	21,517	18,706	-	30,462	-	2,136	2,513,220	19,318,117
Disbursements:								
Instruction	19,517	21,854	-	30,462	-	2,351	-	7,145,899
Support services	-	-	-	-	-	-	-	5,209,813
Noninstructional services	-	-	-	-	-	-	-	1,233,847
Facilities acquisition and construction	-	-	-	-	-	-	-	526,933
Debt service	-	-	-	-	-	-	-	2,442,670
Nonprogrammed charges	-	-	-	-	-	-	2,416,519	2,416,519
Total disbursements	19,517	21,854	-	30,462	-	2,351	2,416,519	18,975,681
Excess (deficiency) of receipts over disbursements	2,000	(3,148)	-	-	-	(215)	96,701	342,436
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	54,133
Transfers out	-	-	-	-	-	-	-	(54,133)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,000	(3,148)	-	-	-	(215)	96,701	342,436
Cash and investments - ending	\$ -	\$ (3,148)	\$ -	\$ -	\$ -	\$ (215)	\$ 71,684	\$ 2,726,671

MANCHESTER COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 736,701	\$ 616,388	\$ 120,252	\$ 541,098	\$ 327,812	\$ 123,487	\$ -	\$ 1,341	\$ (1,818)
Receipts:									
Local sources	94,425	1,291,115	217,166	1,265,856	714,303	26,347	35,415	-	455,580
Intermediate sources	26	-	-	-	-	-	-	-	-
State sources	10,123,893	-	-	-	-	-	-	-	10,289
Federal sources	-	-	-	-	-	-	-	-	520,309
Temporary loans	300,000	-	-	500,000	200,000	-	-	-	-
Other receipts	36,879	-	-	96,154	30	1,800	-	-	15,898
Total receipts	10,555,223	1,291,115	217,166	1,862,010	914,333	28,147	35,415	-	1,002,076
Disbursements:									
Instruction	6,541,479	-	-	-	-	-	-	-	-
Support services	3,235,031	-	-	821,055	706,301	116,639	-	-	2,070
Noninstructional services	192,482	-	-	-	-	-	-	-	1,015,394
Facilities acquisition and construction	5,758	-	-	303,392	-	-	-	-	-
Debt service	300,000	1,234,463	214,872	500,000	200,000	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	10,274,750	1,234,463	214,872	1,624,447	906,301	116,639	-	-	1,017,464
Excess (deficiency) of receipts over disbursements	280,473	56,652	2,294	237,563	8,032	(88,492)	35,415	-	(15,388)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	12,602	-	-	-
Total other financing sources (uses)	-	-	-	-	-	12,602	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	280,473	56,652	2,294	237,563	8,032	(75,890)	35,415	-	(15,388)
Cash and investments - ending	\$ 1,017,174	\$ 673,040	\$ 122,546	\$ 778,661	\$ 335,844	\$ 47,597	\$ 35,415	\$ 1,341	\$ (17,206)

MANCHESTER COMMUNITY SCHOOLS  
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	Textbook Rental	Self- Insurance	Educational License Plates	Alternative Education	Early Lit FY 15-16	Donations/ PEPSI	Pro Claim Trust	Peabody Art Donation	Strauss Family Professional Development
Cash and investments - beginning	\$ 97,624	\$ 6,425	\$ 947	\$ 222	\$ -	\$ 171	\$ -	\$ 466	\$ 16,071
Receipts:									
Local sources	104,546	-	-	-	-	401	777,862	-	-
Intermediate sources	-	-	207	-	-	-	-	-	-
State sources	60,632	-	-	10,434	6,110	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	126	37,634	-	-	-	-	-	-	-
Total receipts	165,304	37,634	207	10,434	6,110	401	777,862	-	-
Disbursements:									
Instruction	-	-	-	10,656	12,200	-	-	76	-
Support services	200,142	42,361	-	-	-	403	193,536	-	6,351
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	200,142	42,361	-	10,656	12,200	403	193,536	76	6,351
Excess (deficiency) of receipts over disbursements	(34,838)	(4,727)	207	(222)	(6,090)	(2)	584,326	(76)	(6,351)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(34,838)	(4,727)	207	(222)	(6,090)	(2)	584,326	(76)	(6,351)
Cash and investments - ending	\$ 62,786	\$ 1,698	\$ 1,154	\$ -	\$ (6,090)	\$ 169	\$ 584,326	\$ 390	\$ 9,720

MANCHESTER COMMUNITY SCHOOLS  
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	Monsanto Grant	Renovation Bond	Miscellaneous Programs	Miscellaneous Programs/ Latchkey	Community Foundation/ Tri Kappa	Bergstedt/ Germany	MES Playground Equipment	MES Supplies/ MC Donation	Community Foundation Beginnergarten FY 14-15
Cash and investments - beginning	\$ -	\$ -	\$ 6,358	\$ 430	\$ 570	\$ -	\$ -	\$ 249	\$ -
Receipts:									
Local sources	-	-	15,000	-	300	4,300	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	227,457	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	227,457	15,000	-	300	4,300	-	-	-
Disbursements:									
Instruction	-	-	-	-	-	4,300	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	18,845	-	236	-	-	-	-
Facilities acquisition and construction	-	227,457	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	227,457	18,845	-	236	4,300	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	(3,845)	-	64	-	-	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(3,845)	-	64	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ 2,513	\$ 430	\$ 634	\$ -	\$ -	\$ 249	\$ -

MANCHESTER COMMUNITY SCHOOLS  
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 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2016

	Beginndergarten FY 15-16	MIS/Student Financial Needs	Academic Excellence	Formative Assessment	Gifted/ Talented FY 14-15	Gifted/ Talented FY 15-16	Secured Schools Safety Grant	Non-English Speaking FY 14-15
Cash and investments - beginning	\$ 16,000	\$ 843	\$ 3,169	\$ -	\$ 1,371	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	17,226	-	32,149	7,140	-
Federal sources	-	-	4,500	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	4,500	17,226	-	32,149	7,140	-
Disbursements:								
Instruction	12,568	-	-	17,226	1,371	27,898	-	-
Support services	3,000	-	3,757	-	-	-	5,357	-
Noninstructional services	-	154	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	15,568	154	3,757	17,226	1,371	27,898	5,357	-
Excess (deficiency) of receipts over disbursements	(15,568)	(154)	743	-	(1,371)	4,251	1,783	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,568)	(154)	743	-	(1,371)	4,251	1,783	-
Cash and investments - ending	\$ 432	\$ 689	\$ 3,912	\$ -	\$ -	\$ 4,251	\$ 1,783	\$ -

MANCHESTER COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	Non-English Speaking FY 15-16	School Technology	Common School Technology	Performance Based Awards	Senator David Ford Technology	Title I FY 15-16	Title I FY 13-14	Title I FY 14-15
Cash and investments - beginning	\$ -	\$ 83,451	\$ -	\$ 1,912	\$ (24,608)	\$ -	\$ -	\$ (18,582)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	10,271	134,871	-	-	80,737	-	-	-
Federal sources	-	-	-	-	-	231,909	-	87,678
Temporary loans	-	-	83,607	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	10,271	134,871	83,607	-	80,737	231,909	-	87,678
Disbursements:								
Instruction	10,271	-	-	-	-	252,355	-	69,096
Support services	-	154,976	-	-	54,687	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	83,607	-	4,891	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	10,271	154,976	83,607	-	59,578	252,355	-	69,096
Excess (deficiency) of receipts over disbursements	-	(20,105)	-	-	21,159	(20,446)	-	18,582
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(20,105)	-	-	21,159	(20,446)	-	18,582
Cash and investments - ending	\$ -	\$ 63,346	\$ -	\$ 1,912	\$ (3,449)	\$ (20,446)	\$ -	\$ -

MANCHESTER COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	Title II, Part A FY 13-14	Title II, Part A FY 14-15	Title II, Part A FY 15-16	Rural and Low Income FY 14-15	Rural and Low Income FY 15-16	Title III 14-16	Clearing	Totals
Cash and investments - beginning	\$ -	\$ (3,148)	\$ -	\$ -	\$ -	\$ (215)	\$ 71,684	\$ 2,726,671
Receipts:								
Local sources	-	-	-	-	-	-	-	5,002,616
Intermediate sources	-	-	-	-	-	-	-	233
State sources	-	-	-	-	-	2,860	-	10,496,612
Federal sources	-	29,605	18,915	-	4,435	-	-	1,124,808
Temporary loans	-	-	-	-	-	-	-	1,083,607
Other receipts	-	-	-	-	-	-	2,974,274	3,162,795
Total receipts	-	29,605	18,915	-	4,435	2,860	2,974,274	20,870,671
Disbursements:								
Instruction	-	26,457	22,072	-	8,870	2,766	-	7,019,661
Support services	-	-	-	-	-	-	-	5,545,666
Noninstructional services	-	-	-	-	-	-	-	1,227,111
Facilities acquisition and construction	-	-	-	-	-	-	-	625,105
Debt service	-	-	-	-	-	-	-	2,449,335
Nonprogrammed charges	-	-	-	-	-	-	2,939,190	2,939,190
Total disbursements	-	26,457	22,072	-	8,870	2,766	2,939,190	19,806,068
Excess (deficiency) of receipts over disbursements	-	3,148	(3,157)	-	(4,435)	94	35,084	1,064,603
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	12,602
Total other financing sources (uses)	-	-	-	-	-	-	-	12,602
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,148	(3,157)	-	(4,435)	94	35,084	1,077,205
Cash and investments - ending	\$ -	\$ -	\$ (3,157)	\$ -	\$ (4,435)	\$ (121)	\$ 106,768	\$ 3,803,876

MANCHESTER COMMUNITY SCHOOLS  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2016

<u>Government</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 39,646</u>	<u>\$ -</u>

MANCHESTER COMMUNITY SCHOOLS  
SCHEDULE OF LEASES AND DEBT  
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Apple Computer Company	IPAD Lease	\$ 118,359	04/20/2013	03/10/2017
Manchester High School Building Corporation	High School Building Corporation 2012	510,000	07/01/1998	07/15/2019
Manchester High School Building Corporation	High School Building Corporation 2016	-	06/07/2016	07/15/2026
Manchester Elementary School Building Corporation	Elementary School Building Corporation 2013	<u>259,000</u>	07/15/2013	01/15/2025
Total of annual lease payments		<u>\$ 887,359</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Loans Payable	Common School Loan	\$ 2,289,300	\$ 445,753
General obligation bonds	Pension Retirement	<u>780,000</u>	<u>215,829</u>
Totals		<u>\$ 3,069,300</u>	<u>\$ 661,582</u>

\* First least payment is due 07/15/17 in the amount of \$73,000

MANCHESTER COMMUNITY SCHOOLS  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2016

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 29,879
Buildings	20,488,140
Improvements other than buildings	2,889,295
Machinery, equipment, and vehicles	<u>6,396,009</u>
Total capital assets	<u>\$ 29,803,323</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

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

We have audited the Manchester 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, 2014 to June 30, 2016. 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, 2014 to June 30, 2016.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003 to be a material weakness.

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

December 13, 2017

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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.

MANCHESTER COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016

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	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 14-15	\$ -	\$ 101,829	\$ -	\$ -
			FY 15-16	-	-	-	83,799
Total - School Breakfast Program				-	101,829	-	83,799
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555	FY 14-15	-	473,473	-	-
			FY 15-16	-	-	-	394,927
School Snack			FY 14-15	-	3,571	-	-
			FY 15-16	-	-	-	2,818
National School Lunch Program - Commodities			FY 14-15	-	60,138	-	-
			FY 15-16	-	-	-	62,931
Total - National School Lunch Program				-	537,182	-	460,676
Summer Food Service Program for Children							
	Indiana Department of Education	10.559	FY 14-15	-	39,105	-	-
			FY 15-16	-	-	-	38,765
Total - Summer Food Service Program for Children				-	39,105	-	38,765
Total - Child Nutrition Cluster				-	678,116	-	583,240
Total - Department of Agriculture				-	678,116	-	583,240
<u>Department of Education</u>							
Title I Grants to Local Educational Agencies							
	Indiana Department of Education	84.010	14-8045	-	66,501	-	-
			15-8045	-	186,803	-	87,678
			16-8045	-	-	-	231,909
Total - Title I Grants to Local Educational Agencies				-	253,304	-	319,587
Special Education Cluster (IDEA)							
Special Education Grants to States							
	Indiana Department of Education	84.027	14213-058-PN01	-	4,957	-	-
			14214-058-PN01	-	94,189	-	27,634
			14215-058-PN01	-	262,454	-	122,731
			14216-056-PN01	-	-	-	180,430
FY 2014 Federal Technical Assistant Grant			9914-058-TA01	-	5,159	-	-
Total - Special Education Grants to States				-	366,759	-	330,795

MANCHESTER COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016

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	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Special Education Preschool Grants	Indiana Department of Education	84.173					
			45714-058-PN01	-	5,207	-	-
			45715-058-PN01	-	6,362	-	4,980
			45716-056-PN01	-	-	-	6,088
Total - Special Education Preschool Grants				-	11,569	-	11,068
Total - Special Education Cluster (IDEA)				-	378,328	-	341,863
Rural Education	Indiana Department of Education	84.358					
			FY 14-15	-	30,462	-	-
			FY 15-16	-	-	-	4,435
Total - Rural Education				-	30,462	-	4,435
English Language Acquisition State Grants	Indiana Department of Education	84.365					
			FY 14-15	-	2,136	-	-
			FY 15-16	-	-	-	2,860
Total - English Language Acquisition State Grants				-	2,136	-	2,860
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
			13-8045	-	21,517	-	-
			14-8045	-	18,706	-	18,915
			15-8045	-	-	-	29,605
Total - Supporting Effective Instruction State Grants				-	40,223	-	48,520
Total - Department of Education				-	704,453	-	717,265
Total federal awards expended				\$ -	\$ 1,382,569	\$ -	1,300,505

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

MANCHESTER COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. *Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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. *Summary of Significant Accounting Policies***

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 3. *Special Education Cooperative***

The School Corporation is a member of a Special Education Cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

MANCHESTER 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:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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 2016-001**

Subject: Preparation of Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediate prior report. The prior report finding number was 2014-001.

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

*Condition*

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

*Context*

The SEFA presented for audit contained the following errors:

1. State grants totaling \$84,121 for fiscal year 2015 and \$110,007 for fiscal year 2016 were included in error.
2. The National School Lunch Program - commodities were not included, resulting in an understatement in the amount of \$60,138 for fiscal year 2015, and \$62,931 for fiscal year 2016.
3. The total Child Nutrition Cluster expenditures were understated (including commodities) by \$587,251 for fiscal year 2015 and by \$2,116 for fiscal year 2016.
4. The Special Education Cluster (IDEA) expenditures were not included, resulting in an understatement of expenditures by \$378,328 for fiscal year 2015 and \$341,864 for fiscal year 2016.
5. The Rural Education expenditures were not included, resulting in an understatement of expenditures by \$30,462 for fiscal year 2015 and \$4,435 for fiscal year 2016.

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. . . ."

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 § \_\_\_\_,310. . . ."

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

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."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

*Views of Responsible Officials*

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

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

***FINDING 2016-002***

Subject: Internal Controls over Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

There were deficiencies in the internal control system of the School Corporation related to school lunch prepaid receipts and summer food service lunch receipts. There was a lack of segregation of duties since the School Corporation had not separated incompatible activities related to these receipts.

*School Lunch Prepaid Receipts*

One individual, at each grade level building, collected prepaid receipts, posted prepaid amounts to each student account, prepared the deposits, and took the deposits to the bank. The prepaid Transaction Report (posting report) and the deposit slips were remitted to the Deputy Treasurer daily. The Deputy Treasurer posted the receipts daily, based on the deposit slip. There was no reconciliation between the prepaid Transaction Report (posting report) and the deposit slip, if necessary. In some cases, there were credit card postings to the prepaid Transaction Report (posting report). The credit card postings were based on the bank statement and made one to two times per week. These posting were not verified in Meal Magic.

*Summer Food Service Program Receipts*

Daily collections were documented at each program site by the cashier. Periodically, the Food Service Director (FSD) visited each site to obtain the collections. The FSD took an amount from the cashier that did not agree with the documented collections. The FSD took the collections obtained to the central office and gave the collections to the Deputy Treasurer. The Deputy Treasurer prepared the deposits, took the deposits to the bank, and posted the receipts. No documentation was included that documented the amount collected.

*Context*

The lack of internal controls over these receipts was a systemic issue throughout the audit period.

*Criteria*

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

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

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

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(Continued)

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. . . ."

*Cause*

The School Corporation had not established a proper system of internal control over school lunch prepaid receipts and summer food service lunch receipts.

*Effect*

The failure to establish and properly implement controls could have enabled material misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the School Corporation's management establish and document effective controls, including segregation of duties, to ensure the accuracy of the school lunch prepaid receipts and summer food service lunch receipts reported in the financial statement.

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2016-003**

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Program Income, Reporting,  
Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediate prior report. The prior report finding numbers were 2014-004 and 2014-006.

*Condition*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Program Income, Reporting, and Special Tests and Provisions - Paid Lunch Equity.

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(Continued)

*Cash Management (School Breakfast Program and National School Lunch Program only)*

Management of the School Corporation had not established adequate controls to ensure that the School Lunch fund cash balances were less than or equal to the three months average expenditures.

*Program Income*

Management of the School Corporation had not designed or implemented adequate controls to ensure that program income was properly determined in compliance with program requirements. The documentation supporting program income was not provided by the School Corporation officials. An oversight or review process has not been established to ensure accurate program income documentation.

*Reporting*

Management of the School Corporation had not designed or implemented adequate controls to ensure that the Annual Financial Reports and Monthly Sponsor Claims (claims for reimbursement) were accurate prior to submission. There was no segregation of duties, such as an oversight, review, or approval process.

*Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)*

Management of the School Corporation had not established documented internal controls, such as a review or approval process, over the Special Tests and Provisions - Paid Lunch Equity calculation.

*Context*

The lack of properly designed and implemented controls was a systemic problem, which occurred throughout the audit period.

*Criteria*

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

MANCHESTER COMMUNITY SCHOOLS  
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(Continued)

*Cause*

The School Corporation had not established and implemented an effective internal control system that segregated key functions.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Status of Audit Finding:

**Finding 2014-001** - Internal Controls over the Preparation of the Schedule of Expenditures of Federal Awards

Fiscal Year: 13-14

Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Kendra Miller/Scott Bumgardner  
Contact Phone Number: 260-982-7518

Status - We will list all Federal Grants on our (SEFA) report. Business Manager/Treasurer will review and sign SEFA

**Finding 2014-002** - Internal Controls over Title 1 Grants to Local Educational Agencies

Fiscal Year: 13-14

Pass Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Kendra Miller/Scott Bumgardner  
Contact Phone Number: 260-982-7518

Status – We maintain internal control over Federal programs that provide reasonable assurance that we are compliant with laws and regulations.

**Finding 2014-003** Allowable Costs/Cost Principles

Fiscal Year: 13-14

Pass-Through Entity: Indiana Department of Education



Contact Person Responsible for Corrective Action: Kendra Miller/Scott Bumgardner  
Contact Phone Number: 260-982-7518

Status – Internal Controls are in place to correct Title 1 expenditures.

**Finding 2014-004 – Internal Controls Over Child Nutrition Cluster**

Fiscal Year: 13-14

Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Kendra Miller/Scott Bumgardner  
Contact Phone Number: 260-982-7518

Status – We are continuing to put controls in place to segregate duties and make sure we are compliant in the following areas – Cash Management – Eligibility – Program Income – Reporting

**Finding 2014-005 - Special Tests and Provision - Eligibility Verification Of Free and Reduce Lunch Applications**

Fiscal Year: 13-14

Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Kendra Miller/Scott Bumgardner  
Contact Phone Number: 260-982-7518

Status – We provide evidence of income eligibility for free and reduced lunch applications.

**Finding 2014-006 – Special Tests and Provisions – Paid Lunch Equity**

Fiscal Year: 13-14

Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Kendra Miller/Scott Bumgardner  
Contact Phone Number: 260-982-7518

Status – We now increase prices according to the calculation provided and will demonstrate that calculation to both the Business Manager and the School Board.

*[Handwritten Signature]*

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(Signature)

*Business Manager*

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(Title)

*12-13-17*

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(Date)

## **CORRECTIVE ACTION PLAN**

### **FINDING 2016-001—PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Contact person responsible for Corrective Action: Scott Bumgardner/Kendra Miller  
Contact phone number: 260-982-7518

Views of Responsible Official: A proper system of internal control needs to be in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards.

Description of Corrective Action Plan:

1. Schedule of Expenditures of Federal Awards will include all federal awards, in the correct amount.
2. Internal controls are in place, as of December 7, 2017.

### **FINDING 2016-002 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS & REPORTING**

Contact person responsible for Corrective Action: Scott Bumgardner/Kendra Miller  
Contact phone number: 260-982-7518

Views of Responsible Official: Internal control was lacking relating to prepaid receipts and summer food service lunch receipts, including the segregation of duties.

Description of Corrective Action Plan:

1. Summer Lunch monies will be collected and deposited weekly from each building.
2. Internal controls are in place, as of December 7, 2017, including the segregation of duties, for additional verification by someone other than the preparer.



**FINDING 2016-003 – INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER**

Contact person responsible for Corrective Action: Scott Bumgardner/Kendra Miller  
Contact phone number: 260-982-7518

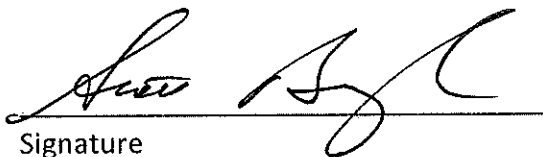
Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Number and Year: FY 2014-2015, FY 2015-2016  
Pass-Through Entity: Indiana Department of Education

View of Responsible Official: Lacking an effective internal control system which includes segregation of duties, cash management, program income, reporting and special tests and provisions.

Description of Corrective Action Plan:

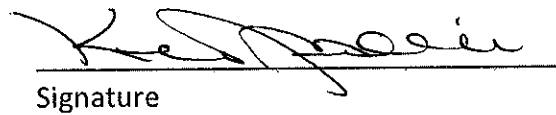
1. An Internal Control System is in place, as of December 7, 2017. This includes cash management calculations, paid lunch equity calculations, annual financial reporting, segregation of duties, and reporting monthly reimbursement claims. Internal Control is also in place to ensure that program income is properly determined in compliance with program requirements.

**ANTICIPATED COMPLETION DATE: DECEMBER 7, 2017**

  
Signature

*Business Manager*  
Title

*12-13-17*  
Date

  
Signature

*Asst. Treasurer*  
Title

*12-13-17*  
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/>.