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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

FAIRFIELD COMMUNITY SCHOOLS
ELKHART COUNTY, INDIANA

July 1, 2014 to June 30, 2016

FILED
05/07/2018

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Marla J. Steffen	01-01-14 to 12-31-18
Superintendent of Schools	Steven W. Thalheimer	01-01-14 to 01-01-19
President of the School Board	Trent Hostetler	01-01-14 to 12-31-14
	Wayne Miller	01-01-15 to 12-31-15
	Marilee Keim	01-01-16 to 12-31-16
	Wayne Miller	01-01-17 to 12-31-17
	Trent Hostetler	01-01-18 to 12-31-18

STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Fairfield 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.

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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 11, 2018, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

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

April 11, 2018

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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 FAIRFIELD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Fairfield 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 April 11, 2018, 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 a material weakness.

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 item 2016-001 to be a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Fairfield 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
Paul D. Joyce, CPA
State Examiner

April 11, 2018

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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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FAIRFIELD 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	$ 2,572,445	$ 12,202,091	$ 12,324,841	$ 1,745	$ 2,451,440	$ 12,726,739	$ 12,529,361	$ 498	$ 2,649,316
Debt Service	1,267,182	2,860,409	2,673,288	-	1,454,303	3,188,600	3,111,053	-	1,531,850
Capital Projects	3,093,976	1,782,293	1,650,980	439	3,225,728	1,846,158	2,505,189	(149,637)	2,417,060
School Transportation	1,315,579	1,210,904	925,099	-	1,601,384	1,243,194	975,543	1,239	1,870,274
School Bus Replacement	159,630	268,520	189,007	-	239,143	257,752	94,364	(150,000)	252,531
Rainy Day	304,134	-	-	-	304,134	78,727	-	-	382,861
Post-Retirement/ Severance Future Benefits	4,225,941	16,979	150,564	-	4,092,356	16,045	161,191	300,000	4,247,210
Construction - 2014 G/O Bonds	418,624	1,465	209,153	-	210,936	380	209,806	-	1,510
Construction	-	948	-	500,000	500,948	1,950	-	-	502,898
School Lunch	666,871	791,788	807,777	75	650,957	825,691	837,320	-	639,328
Textbook Rental	180,777	216,752	128,613	2,087	271,003	232,478	228,302	570	275,749
Self-Insurance	2,195,804	1,623,852	1,798,751	-	2,020,905	1,654,632	1,859,522	-	1,816,015
Levy Excess	-	1,239	-	-	1,239	-	-	(1,239)	-
Educational License Plates	5,814	338	2,375	-	3,777	263	-	-	4,040
Early Intervention Grant	(9,271)	9,988	718	-	(1)	-	-	-	(1)
Robotics Donation Fund	390	3,749	2,205	-	1,934	2,251	2,846	-	1,339
Benton Elementary Donation Fund	1,000	1,000	1,000	-	1,000	-	-	-	1,000
Fairfield Jr-Sr High Donation Fund	-	1,500	1,500	-	-	51,044	-	-	51,044
Millersburg Donation Fund	-	500	160	-	340	500	384	-	456
New Paris Donation Fund	-	278	-	-	278	149	-	-	427
Extra-Curricular Activities	-	-	-	-	-	13,944	13,944	-	-
Construction, Remodeling, and Equipping Buildings	-	-	-	-	-	17,000	16,256	-	744
United Way Grants	10	-	-	-	10	-	-	-	10
Benton Donation Fund	-	-	-	-	-	20,000	10,905	-	9,095
Instruction Support	1,361	31,928	33,202	-	87	33,193	33,161	-	119
Medicaid Reimbursement	32,384	14,717	13,685	-	33,416	10,701	4,254	-	39,863
Secured Schools Safety Grant	(3,423)	87,316	82,993	-	900	-	13,400	-	(12,500)
Cultural Arts	6	-	-	-	6	-	6	-	-
Non-English Speaking Programs	-	24,002	24,002	-	-	46,938	44,399	-	2,539
School Technology	2,312	8,889	8,837	-	2,364	8,724	8,844	-	2,244
CECI/Work Council Grant	-	11,222	11,315	-	(93)	791	698	-	-
Math Science Partnership Grant	-	37,867	50,784	-	(12,917)	102,082	89,165	-	-
Title I 13-14	(95,870)	122,544	26,674	-	-	-	-	-	-
Title I 14-15	-	244,336	286,470	-	(42,134)	63,663	21,531	-	(2)
Title I 15-16	-	-	-	-	-	250,018	284,889	-	(34,871)
Special Ed IDEA Part B 13-14	(59,424)	93,835	34,408	-	3	-	-	-	3
Special Ed IDEA Part B 14-15	-	255,193	337,707	-	(82,514)	117,501	34,986	-	1
Special Ed IDEA Part B 15-16	-	-	-	-	-	266,439	326,640	-	(60,201)
Improving Teacher Quality, No Child Left, Title II, Part A	(5,125)	45,529	43,097	-	(2,693)	35,339	43,327	-	(10,681)
Title III - English Proficiency Migrant	(4,486)	7,248	36,860	-	(34,098)	76,548	43,123	-	(673)
Title III--WIDA	-	860	860	-	-	-	-	-	-
Title II Part B Math and Science Partnership	-	-	-	-	-	67,168	120,331	-	(53,163)
Clearing Accounts	18,247	3,076,407	3,069,234	-	25,420	2,965,472	2,917,965	-	72,927
School Lunch Clearing Accounts	24,184	474,789	472,770	-	26,204	497,183	502,689	-	20,698
Totals	$ 16,309,073	$ 25,531,275	$ 25,398,929	$ 504,346	$ 16,945,764	$ 26,719,257	$ 27,045,394	$ 1,431	$ 16,621,058

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

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

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

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.

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.

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of grant funds being set up as 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 two capital lease with the Fairfield Community Schools Building Corp (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2014 and 2015 totaled $2,553,500 and $2,874,000, respectively.

Note 9. Subsequent Events

The School Corporation issued General Obligation Bonds ($2,000,000) for renovation/addition of the New Paris Elementary School and a Common School Technology Loan was taken out in 2017.

Note 10. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses the following benefits: health insurance. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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OTHER INFORMATION - UNAUDITED

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

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

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

FAIRFIELD 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post-Retirement/ Severance Future Benefits	Construction - 2014 G/O Bonds	Construction
Cash and investments - beginning	$ 2,572,445	$ 1,267,182	$ 3,093,976	$ 1,315,579	$ 159,630	$ 304,134	$ 4,225,941	$ 418,624	$ -
Receipts:									
Local sources	259,146	2,860,409	1,781,618	1,210,904	268,520	-	16,979	1,465	948
Intermediate sources	668	-	-	-	-	-	-	-	-
State sources	11,934,014	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	8,263	-	675	-	-	-	-	-	-
Total receipts	12,202,091	2,860,409	1,782,293	1,210,904	268,520	-	16,979	1,465	948
Disbursements:									
Instruction	8,772,335	-	-	-	-	-	-	-	-
Support services	3,349,807	-	1,013,482	925,099	189,007	-	150,564	209,153	-
Noninstructional services	201,107	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,592	-	637,498	-	-	-	-	-	-
Debt service	-	2,673,288	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	12,324,841	2,673,288	1,650,980	925,099	189,007	-	150,564	209,153	-
Excess (deficiency) of receipts over disbursements	(122,750)	187,121	131,313	285,805	79,513	-	(133,585)	(207,688)	948
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	500,000
Sale of capital assets	1,745	-	439	-	-	-	-	-	-
Total other financing sources (uses)	1,745	-	439	-	-	-	-	-	500,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(121,005)	187,121	131,752	285,805	79,513	-	(133,585)	(207,688)	500,948
Cash and investments - ending	$ 2,451,440	$ 1,454,303	$ 3,225,728	$ 1,601,384	$ 239,143	$ 304,134	$ 4,092,356	$ 210,936	$ 500,948

FAIRFIELD 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

	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Educational License Plates	Early Intervention Grant	Robotics Donation Fund	Benton Elementary Donation Fund	Fairfield Jr-Sr High Donation Fund
Cash and investments - beginning	$ 666,871	$ 180,777	$ 2,195,804	$ -	$ 5,814	$ (9,271)	$ 390	$ 1,000	$ -
Receipts:									
Local sources	472,584	179,341	1,623,852	1,239	-	-	3,749	1,000	1,500
Intermediate sources	-	-	-	-	338	-	-	-	-
State sources	16,347	37,391	-	-	-	9,988	-	-	-
Federal sources	302,857	-	-	-	-	-	-	-	-
Other receipts	-	20	-	-	-	-	-	-	-
Total receipts	791,788	216,752	1,623,852	1,239	338	9,988	3,749	1,000	1,500
Disbursements:									
Instruction	-	-	-	-	375	718	2,205	-	-
Support services	-	128,613	16,480	-	2,000	-	-	-	1,500
Noninstructional services	807,777	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	1,000	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,782,271	-	-	-	-	-	-
Total disbursements	807,777	128,613	1,798,751	-	2,375	718	2,205	1,000	1,500
Excess (deficiency) of receipts over disbursements	(15,989)	88,139	(174,899)	1,239	(2,037)	9,270	1,544	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	75	2,087	-	-	-	-	-	-	-
Total other financing sources (uses)	75	2,087	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,914)	90,226	(174,899)	1,239	(2,037)	9,270	1,544	-	-
Cash and investments - ending	$ 650,957	$ 271,003	$ 2,020,905	$ 1,239	$ 3,777	$ (1)	$ 1,934	$ 1,000	$ -

FAIRFIELD 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

	Millersburg Donation Fund	New Paris Donation Fund	Extra-Curricular Activities	Construction, Remodeling, and Equipping Buildings	United Way Grants	Benton Donation Fund	Instruction Support	Medicaid Reimbursement	Secured Schools Safety Grant
Cash and investments - beginning	$ -	$ -	$ -	$ -	$ 10	$ -	$ 1,361	$ 32,384	$ (3,423)
Receipts:									
Local sources	500	278	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	31,928	14,717	87,316
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	500	278	-	-	-	-	31,928	14,717	87,316
Disbursements:									
Instruction	-	-	-	-	-	-	32,966	8,514	-
Support services	160	-	-	-	-	-	236	5,171	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	82,993
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	160	-	-	-	-	-	33,202	13,685	82,993
Excess (deficiency) of receipts over disbursements	340	278	-	-	-	-	(1,274)	1,032	4,323
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	340	278	-	-	-	-	(1,274)	1,032	4,323
Cash and investments - ending	$ 340	$ 278	$ -	$ -	$ 10	$ -	$ 87	$ 33,416	$ 900

FAIRFIELD 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

	Cultural Arts	Non-English Speaking Programs	School Technology	CECI/Work Council Grant	Math Science Partnership Grant	Title I 13-14	Title I 14-15	Title I 15-16	Special Ed IDEA Part B 13-14	Special Ed IDEA Part B 14-15
Cash and investments - beginning	$ 6	$ -	$ 2,312	$ -	$ -	$ (95,870)	$ -	$ -	$ (59,424)	$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	24,002	8,889	11,222	37,867	-	-	-	-	-
Federal sources	-	-	-	-	-	122,544	244,336	-	93,835	255,193
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	24,002	8,889	11,222	37,867	122,544	244,336	-	93,835	255,193
Disbursements:										
Instruction	-	24,002	-	3,687	-	21,049	282,775	-	18,225	239,435
Support services	-	-	8,837	7,628	50,784	5,625	3,695	-	16,183	95,433
Noninstructional services	-	-	-	-	-	-	-	-	-	2,839
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	24,002	8,837	11,315	50,784	26,674	286,470	-	34,408	337,707
Excess (deficiency) of receipts over disbursements	-	-	52	(93)	(12,917)	95,870	(42,134)	-	59,427	(82,514)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	52	(93)	(12,917)	95,870	(42,134)	-	59,427	(82,514)
Cash and investments - ending	$ 6	$ -	$ 2,364	$ (93)	$ (12,917)	$ -	$ (42,134)	$ -	$ 3	$ (82,514)

FAIRFIELD 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

	Special Ed IDEA Part B 15-16	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	Title III--WIDA	Title II Part B Math and Science Partnership	Clearing Accounts	School Lunch Clearing Accounts	Totals
Cash and investments - beginning	$ -	$ (5,125)	$ (4,486)	$ -	$ -	$ 18,247	$ 24,184	$ 16,309,073
Receipts:								
Local sources	-	-	-	-	-	-	-	8,684,032
Intermediate sources	-	-	-	-	-	-	-	1,006
State sources	-	-	-	-	-	-	-	12,213,681
Federal sources	-	45,529	7,248	860	-	-	-	1,072,402
Other receipts	-	-	-	-	-	3,076,407	474,789	3,560,154
Total receipts	-	45,529	7,248	860	-	3,076,407	474,789	25,531,275
Disbursements:								
Instruction	-	18,881	-	-	-	-	-	9,425,167
Support services	-	22,309	36,860	860	-	-	-	6,239,486
Noninstructional services	-	1,907	-	-	-	-	-	1,013,630
Facilities acquisition and construction	-	-	-	-	-	-	-	723,083
Debt service	-	-	-	-	-	-	-	2,673,288
Nonprogrammed charges	-	-	-	-	-	3,069,234	472,770	5,324,275
Total disbursements	-	43,097	36,860	860	-	3,069,234	472,770	25,398,929
Excess (deficiency) of receipts over disbursements	-	2,432	(29,612)	-	-	7,172	2,019	132,345
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	500,000
Sale of capital assets	-	-	-	-	-	-	-	4,346
Total other financing sources (uses)	-	-	-	-	-	-	-	504,346
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,432	(29,612)	-	-	7,172	2,019	636,691
Cash and investments - ending	$ -	$ (2,693)	$ (34,098)	$ -	$ -	$ 25,420	$ 26,204	$ 16,945,764

FAIRFIELD 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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post-Retirement/ Severance Future Benefits	Construction - 2014 G/O Bonds	Construction
Cash and investments - beginning	$ 2,451,440	$ 1,454,303	$ 3,225,728	$ 1,601,384	$ 239,143	$ 304,134	$ 4,092,356	$ 210,936	$ 500,948
Receipts:									
Local sources	225,547	3,188,600	1,817,386	1,243,194	257,752	78,727	16,045	380	1,950
Intermediate sources	223	-	-	-	-	-	-	-	-
State sources	12,456,976	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	43,993	-	28,772	-	-	-	-	-	-
Total receipts	12,726,739	3,188,600	1,846,158	1,243,194	257,752	78,727	16,045	380	1,950
Disbursements:									
Instruction	8,826,763	-	-	-	-	-	-	-	-
Support services	3,499,504	-	1,181,791	975,543	94,364	-	161,191	209,806	-
Noninstructional services	201,388	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,706	-	1,323,398	-	-	-	-	-	-
Debt service	-	3,111,053	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	12,529,361	3,111,053	2,505,189	975,543	94,364	-	161,191	209,806	-
Excess (deficiency) of receipts over disbursements	197,378	77,547	(659,031)	267,651	163,388	78,727	(145,146)	(209,426)	1,950
Other financing sources (uses):									
Sale of capital assets	498	-	363	-	-	-	-	-	-
Transfers in	-	-	-	1,239	-	300,000	300,000	-	-
Transfers out	-	-	(150,000)	-	(150,000)	(300,000)	-	-	-
Total other financing sources (uses)	498	-	(149,637)	1,239	(150,000)	-	300,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	197,876	77,547	(808,668)	268,890	13,388	78,727	154,854	(209,426)	1,950
Cash and investments - ending	$ 2,649,316	$ 1,531,850	$ 2,417,060	$ 1,870,274	$ 252,531	$ 382,861	$ 4,247,210	$ 1,510	$ 502,898

FAIRFIELD 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

	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Educational License Plates	Early Intervention Grant	Robotics Donation Fund	Benton Elementary Donation Fund	Fairfield Jr-Sr High Donation Fund
Cash and investments - beginning	$ 650,957	$ 271,003	$ 2,020,905	$ 1,239	$ 3,777	$ (1)	$ 1,934	$ 1,000	$ -
Receipts:									
Local sources	503,378	200,332	1,654,632	-	-	-	2,251	-	49,034
Intermediate sources	-	-	-	-	263	-	-	-	2,010
State sources	17,352	32,146	-	-	-	-	-	-	-
Federal sources	304,961	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	825,691	232,478	1,654,632	-	263	-	2,251	-	51,044
Disbursements:									
Instruction	-	-	-	-	-	-	2,846	-	-
Support services	-	228,302	19,900	-	-	-	-	-	-
Noninstructional services	837,320	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,839,622	-	-	-	-	-	-
Total disbursements	837,320	228,302	1,859,522	-	-	-	2,846	-	-
Excess (deficiency) of receipts over disbursements	(11,629)	4,176	(204,890)	-	263	-	(595)	-	51,044
Other financing sources (uses):									
Sale of capital assets	-	570	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(1,239)	-	-	-	-	-
Total other financing sources (uses)	-	570	-	(1,239)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,629)	4,746	(204,890)	(1,239)	263	-	(595)	-	51,044
Cash and investments - ending	$ 639,328	$ 275,749	$ 1,816,015	$ -	$ 4,040	$ (1)	$ 1,339	$ 1,000	$ 51,044

FAIRFIELD 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

	Millersburg Donation Fund	New Paris Donation Fund	Extra-Curricular Activities	Construction, Remodeling, and Equipping Buildings	United Way Grants	Benton Donation Fund	Instruction Support	Medicaid Reimbursement	Secured Schools Safety Grant
Cash and investments - beginning	$ 340	$ 278	$ -	$ -	$ 10	$ -	$ 87	$ 33,416	$ 900
Receipts:									
Local sources	500	149	13,944	17,000	-	20,000	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	33,193	10,701	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	500	149	13,944	17,000	-	20,000	33,193	10,701	-
Disbursements:									
Instruction	76	-	-	-	-	855	32,688	2,931	-
Support services	308	-	-	-	-	10,050	473	1,323	-
Noninstructional services	-	-	13,944	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	16,256	-	-	-	-	13,400
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	384	-	13,944	16,256	-	10,905	33,161	4,254	13,400
Excess (deficiency) of receipts over disbursements	116	149	-	744	-	9,095	32	6,447	(13,400)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	116	149	-	744	-	9,095	32	6,447	(13,400)
Cash and investments - ending	$ 456	$ 427	$ -	$ 744	$ 10	$ 9,095	$ 119	$ 39,863	$ (12,500)

FAIRFIELD 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

	Cultural Arts	Non-English Speaking Programs	School Technology	CECI/Work Council Grant	Math Science Partnership Grant	Title I 13-14	Title I 14-15	Title I 15-16	Special Ed IDEA Part B 13-14	Special Ed IDEA Part B 14-15
Cash and investments - beginning	$ 6	$ -	$ 2,364	$ (93)	$ (12,917)	$ -	$ (42,134)	$ -	$ 3	$ (82,514)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	46,938	8,724	791	102,082	-	-	-	-	-
Federal sources	-	-	-	-	-	-	63,663	250,018	-	117,501
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	46,938	8,724	791	102,082	-	63,663	250,018	-	117,501
Disbursements:										
Instruction	6	30,367	-	698	-	-	20,601	278,807	-	16,865
Support services	-	14,032	8,844	-	89,165	-	930	6,082	-	12,128
Noninstructional services	-	-	-	-	-	-	-	-	-	5,993
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	6	44,399	8,844	698	89,165	-	21,531	284,889	-	34,986
Excess (deficiency) of receipts over disbursements	(6)	2,539	(120)	93	12,917	-	42,132	(34,871)	-	82,515
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6)	2,539	(120)	93	12,917	-	42,132	(34,871)	-	82,515
Cash and investments - ending	$ -	$ 2,539	$ 2,244	$ -	$ -	$ -	$ (2)	$ (34,871)	$ 3	$ 1

FAIRFIELD 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

	Special Ed IDEA Part B 15-16	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	Title III--WIDA	Title II Part B Math and Science Partnership	Clearing Accounts	School Lunch Clearing Accounts	Totals
Cash and investments - beginning	$ -	$ (2,693)	$ (34,098)	$ -	$ -	$ 25,420	$ 26,204	$ 16,945,764
Receipts:								
Local sources	-	-	-	-	-	-	-	9,290,801
Intermediate sources	-	-	-	-	-	-	-	2,496
State sources	-	-	-	-	-	-	-	12,708,903
Federal sources	266,439	35,339	76,548	-	67,168	-	-	1,181,637
Other receipts	-	-	-	-	-	2,965,472	497,183	3,535,420
Total receipts	266,439	35,339	76,548	-	67,168	2,965,472	497,183	26,719,257
Disbursements:								
Instruction	231,120	-	1,392	-	-	-	-	9,446,015
Support services	95,520	42,137	41,731	-	120,331	-	-	6,813,455
Noninstructional services	-	1,190	-	-	-	-	-	1,059,835
Facilities acquisition and construction	-	-	-	-	-	-	-	1,354,760
Debt service	-	-	-	-	-	-	-	3,111,053
Nonprogrammed charges	-	-	-	-	-	2,917,965	502,689	5,260,276
Total disbursements	326,640	43,327	43,123	-	120,331	2,917,965	502,689	27,045,394
Excess (deficiency) of receipts over disbursements	(60,201)	(7,988)	33,425	-	(53,163)	47,507	(5,506)	(326,137)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	1,431
Transfers in	-	-	-	-	-	-	-	601,239
Transfers out	-	-	-	-	-	-	-	(601,239)
Total other financing sources (uses)	-	-	-	-	-	-	-	1,431
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(60,201)	(7,988)	33,425	-	(53,163)	47,507	(5,506)	(324,706)
Cash and investments - ending	$ (60,201)	$ (10,681)	$ (673)	$ -	$ (53,163)	$ 72,927	$ 20,698	$ 16,621,058

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Fairfield Community Schools Building Corp	Refunding Bonds Series 2009	$ 495,000	4/30/2009	1/15/2020
Fairfield Community Schools Building Corp	Refunding Bonds Series 2012	1,737,000	11/13/2012	7/15/2028
Fairfield Community Schools Building Corp	Renovations--High School 2014	317,000	11/25/2014	1/15/2033
Fairfield Community Schools Building Corp	Renovations-MES/BES 2015	273,500	4/7/2015	1/15/2033
Total governmental activities		2,822,500		
Total of annual lease payments		$ 2,822,500		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Qualified School Construction Bonds	$ 630,000	$ 33,284
General obligation bonds	Technology Purchases	360,000	242,760
Total governmental activities		990,000	276,044
Totals		$ 990,000	$ 276,044

FAIRFIELD 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.

	Ending Balance
Governmental activities:	
Land	$ 493,650
Buildings	64,719,049
Improvements other than buildings	691,058
Machinery, equipment, and vehicles	5,520,475
Total governmental activities	71,424,232
Total capital assets	$ 71,424,232

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SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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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 FAIRFIELD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Fairfield 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.

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in items 2016-004, 2016-005, 2016-006, 2016-007, and 2016-008 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Special Education Cluster (IDEA) regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting. Consequently, we were unable to determine whether the School complied with these requirements applicable to the program.

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of the Special Education Cluster (IDEA) regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting, described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on Special Education Cluster (IDEA) for the period of July 1, 2014 to June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2014 to June 30, 2016.

Other Matters

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

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 items 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, and 2016-008, to be material weaknesses.

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

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
Paul D. Joyce, CPA
State Examiner

April 11, 2018

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.

FAIRFIELD 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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Dept of Education						
Breakfast Reimbursement		10.553	FY 2015	$ -	$ 31,514	$ -	$ -
Breakfast Reimbursement		10.553	FY 2016	-	-	-	31,864
Total - School Breakfast Program				-	31,514	-	31,864
National School Lunch Program	Indiana Dept of Education						
Lunch Reimbursement		10.555	FY 2015	-	271,343	-	-
Commodities		10.555	FY 2015	-	66,967	-	-
Lunch Reimbursement		10.555	FY 2016	-	-	-	273,097
Commodities		10.555	FY 2016	-	-	-	66,746
Total - National School LunchProgram				-	338,310	-	339,843
Total - Child Nutrition Cluster				-	369,824	-	371,707
Total - Department of Agriculture				-	369,824	-	371,707
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Dept of Education						
Special Education Part B-5203		84.027	14214-016-PN01	-	136,518	-	-
Special Education Part B-5204		84.027	14215-016-PN01	-	304,067	-	103,080
Special Education Part B-5205		84.027	14216-014-PN01	-	-	-	328,948
Total - Special Education Grants to States				-	440,585	-	432,028
Special Education Preschool Grants	Indiana Dept of Education						
Special Education Preschool Grants		84.173	45714-016-PN01	-	10,476	-	-
		84.173	45715-016-PN01	-	12,999	-	4,850
		84.173	45716-014-PN01	-	-	-	9,823
Total - Special Education Preschool Grants				-	23,475	-	14,673
Total - Special Education Cluster (IDEA)				-	464,060	-	446,701

FAIRFIELD 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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Title I Grants to Local Educational Agencies	Indiana Dept of Education						
Title I-4153		84.010	14-2155	-	122,544	-	-
Title I-4154		84.010	14-2155	-	-	-	63,663
Title I-4154		84.010	15-2155	-	244,336	-	-
Title I-4155		84.010	16-2155	-	-	-	250,018
Total - Title I Grants to Local Educational Agencies				-	366,880	-	313,681
English Language Acquisition State Grants	Indiana Dept of Education						
Title III WIDA		84.365	01113-313-PN01	-	860	-	-
Title III-6880		84.365	01114-022-PN01	-	5,233	-	-
Title III-6880		84.365	01115-017-PN01	-	2,015	-	-
Title III-6880		84.365	01115-017-PN01	-	-	-	76,548
Total - English Language Acquisition State Grants				-	8,108	-	76,548
Mathematics and Science Partnerships	Indiana Dept of Education						
Math Science Partnership		84.366		-	3,787	-	-
Math Science Partnership		84.366		-	-	-	102,082
Math Science Partnership		84.366		-	-	-	67,168
Total - Mathematics and Science Partnerships				-	3,787	-	169,250
Improving Teacher Quality State Grants	Indiana Dept of Education						
Title IIA-6840		84.367		-	26,247	-	-
Title IIA-6840		84.367		-	81	-	-
Title IIA-6840		84.367		-	19,201	-	-
Title IIA-6840		84.367		-	-	-	25,101
Title IIA-6840		84.367		-	-	-	10,238
Total - Improving Teacher Quality State Grants				-	45,529	-	35,339
Total - Department of Education				-	888,364	-	1,041,519
Total federal awards expended				$ -	$ 1,258,188	$ -	$ 1,413,226

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

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

FAIRFIELD 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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified for Special Education Cluster (IDEA); Unmodified for Child Nutrition Cluster and Title I Grants to Local Educational Agencies
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
	Child Nutrition Cluster
	Special Education Cluster (IDEA)
84.010	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 the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Condition

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway), which is the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The Director of Business and Finance prepared the federal award information entered into Gateway without a control process in place to ensure its accuracy before submission.

Context

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

Criteria

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

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

Cause

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

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

Recommendation

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-002

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/ Cost Principles, Eligibility, Reporting, Special Tests and Provisions - Comparability, and Special Tests and Provisions - Schoolwide Programs
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-2155, 15-2155, 16-2155
Pass-Through Entity: Indiana Dept of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, Special Tests and Provisions - Comparability, and Schoolwide Programs
Audit Finding: Material Weakness

Repeat Finding

This is a partial repeat finding from the immediate prior audit regarding the Reporting compliance requirement. The prior year finding was 2014-001.

Condition

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

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

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

Eligibility

The determination of which schools were to receive Title I services was determined by the Superintendent of Schools without any oversight, review, or approval process to ensure that the determination was correct. In addition, the Targeted Assistance School was required to determine the students eligible for the use of Title I funds. There was no oversight, review, or approval process in place to ensure that only eligible students received Title I services.

Reporting

The Annual Expenditure Reports were prepared by one employee with no oversight, review, or approval process to ensure accuracy. The Grant Director was notified via email when the Annual Expenditure Reports were submitted, but was not provided the details necessary to adequately review the reports.

Special Tests and Provisions - Comparability, Special Tests and Provisions - Schoolwide Programs

One person prepared and submitted the Comparability and Schoolwide Program reports without any documented oversight, review, or approval process to ensure that the reports were accurate.

Context

The lack of controls was a systemic issue. There were no documented controls over the compliance requirements noted in the *Condition* 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). . . ."

Cause

The School Corporation had not developed a system of internal controls 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 program.

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.

FINDING 2016-003

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Numbers and Years (or Other Identifying Numbers): 14214-016-PN01, 14215-016-PN01
Pass-Through Entity: Indiana Dept of Education
Compliance Requirements: Matching, Level of Effort, Earmarking
Audit Finding: Material Weakness

Condition

The School Corporation had not established an internal control system related to the grant agreements and the Level of Effort - Maintenance of Effort requirements of the Matching, Level of Effort, Earmarking compliance requirement. One individual prepared the maintenance of effort calculation without a proper system of oversight or review.

Context

This was a systemic problem 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). . . ."

Cause

The School Corporation had not developed a system of internal controls 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 agreements and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-004

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Number): 14214-016-PN01, 14215-016-PN01, 14216-014-PN01, 45714-016-PN01, 45715-016-PN01, 45716-014-PN01
Pass-Through Entity: Indiana Dept of Education
Compliance Requirement: Activities Allowed or Unallowed
Audit Findings: Material Weakness, Modified Opinion

Condition

The Elkhart County Special Education Cooperative (ECSEC) was a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The School Corporation was a participating member school corporation of the ECSEC. Goshen Community Schools (GCS) was the administrator of this Cooperative. Because the grant agreements were between the Indiana Department of Education and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. An effective internal control system was not in place at the School Corporation and at the ECSEC in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed compliance requirement. There were no controls in place to ensure that expenditures charged to the grant were adequately documented to show compliance over the Activities Allowed or Unallowed compliance requirement.

The ECSEC provided special education services to its participating member school corporations (members) and billed them from expenditures paid within the ECSEC funds during the audit period. The ECSEC gave its members credits on their bills for amounts the members were awarded from the budgeted grant category, *Services from Another Educational Agency*. Members did not directly request reimbursement for *Services from Another Educational Agency*, but rather, the ECSEC requested reimbursement on the member's behalf for special education services provided under other categories, such as *Certified Salaries, Non-Certified Salaries, Employee Benefits, Purchased/Contracted Services, Conference/Travel, Materials/Supplies, and Buildings*. The ECSEC did not provide any documentation to support the allocation charged to the grant for members' credits in order to test the population for Activities Allowed or Unallowed. Total allocations charged to Special Education Grants to States by the ECSEC for member's credits for school years ending June 30, 2015 and 2016, were $345,319 and $247,449, respectively.

The funds requested by the ECSEC for members were receipted in GCS's Spec Ed Part B funds and never transferred into the appropriate ECSEC fund. As a result, the requested funds that belonged to the ECSEC were commingled with the Special Ed Part B fund transactions that benefited GCS and not the other remaining members. Audit procedures over Special Ed Part B fund transactions revealed a lack of a review or approval process over payroll disbursements; however, sampled transactions as a whole, were made in compliance with Activities Allowed or Unallowed.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Additionally, adequate documentation did not support ECSEC expenditures allocated to the grant for members' credits and the comingling of Special Ed Part B funds and expenditures identified in the *Condition*.

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). . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(2) *Accounting records*. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. . . ."

2 CFR 200.302(b) states in part:

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

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

Cause

The School Corporation and the ECSEC had not established an effective internal control structure that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed compliance requirements. Additionally, an effective internal control structure had not been established to ensure adequate documentation over the ECSEC expenditures allocated to the grant for members' credits, and the comingling of Special Ed Part B funds and expenditures identified in the *Condition*.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation and to the ECSEC. Additionally, the failure to maintain adequate documentation over ECSEC expenditures allocated to the grant for members' credits and the comingling of Special Ed Part B funds prevented the determination of the School Corporation's compliance relating to Activities Allowed or Unallowed and the expenditures identified in the *Condition*.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Activities Allowed or Unallowed compliance requirement. Additionally, we recommended that management of the School Corporation and the ECSEC establish controls to ensure adequate documentation will be maintained.

Views of Responsible Officials

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

FINDING 2016-005

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States,
Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Number): 14214-016-PN01, 14215-016-PN01, 14216-014-PN01, 45714-016-PN01, 45715-016-PN01, 45716-014-PN01
Pass-Through Entity: Indiana Dept of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Condition

The Elkhart County Special Education Cooperative (ECSEC) was a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The School Corporation was a participating member school corporation of the ECSEC. Goshen Community Schools (GCS) was the administrator of this Cooperative. Because the grant agreements were between the Indiana Department of Education and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. An effective internal control system was not in place at the School Corporation and at the ECSEC in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Expenditures made by GCS out of Special Ed Part B funds for salaries and benefits charged to the Special Education Cluster (IDEA) were paid without adequate documentation to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. Personnel Activity Reports or other documentation of personnel expenses for employees who worked on multiple activities or cost objectives during the audit period were not completed or presented. Also, Semi-Annual Certifications or other documentation of personnel expenses for employees whose salaries were paid 100 percent out of the grant funds were not accurate or completed. The following is a list of issues noted during our audit:

1. In a test performed on 31 employee payroll transactions, 22 of those transactions were not supported by Personnel Activity Reports or other personnel expense documentation to support the percentage of their pay being charged to the Special Education Cluster (IDEA).

2. For two employees who did complete Personnel Activity Reports or other personnel expense documentation, only 13 out of 20 Personnel Activity Reports or other personnel expense documentation were signed by a supervisor.

3. The School Corporation maintained a listing of employees who were to be paid from the Special Ed Part B funds. The School Corporation paid two employees from the Special Ed Part B funds who were not on that list.

4. GCS did not adequately maintain personnel expense documentation to support substitutes' pay that was charged to the Special Education Cluster (IDEA).

Furthermore, the ECSEC provided special education services to its participating member school corporations (members) and billed them from expenditures paid within the ECSEC funds during the audit period. The ECSEC gave its members credits on their bills for amounts the members were awarded from the budgeted grant category, *Services from Another Educational Agency*. Members did not directly request reimbursement for *Services from Another Educational Agency*, but rather, the ECSEC requested reimbursement on the member's behalf for special education services provided under other categories, such as *Certified Salaries, Non-Certified Salaries, Employee Benefits, Purchased/Contracted Services, Conference/Travel, Materials/Supplies, and Buildings*. The ECSEC did not provide any documentation to support the allocation charged to the grant for members' credits in order to test the population for Allowable Costs/Cost Principles. Total allocations charged to Special Education Grants to States by the ECSEC for member's credits for school years ending June 30, 2015 and 2016, were $345,319 and $247,449, respectively.

The funds requested by the ECSEC for members were receipted in GCS's Spec Ed Part B funds and never transferred into the appropriate ECSEC fund. As a result, the requested funds that belonged to the ECSEC were commingled with the Special Ed Part B fund transactions that benefited GCS and not the other remaining members. Audit procedures over Special Ed Part B fund transactions revealed a lack of a review or approval process over payroll disbursements; however, sampled transactions as a whole, except as noted above, were made in compliance with Allowable Costs/Cost Principles.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Additionally, documentation was not provided to support the expenditures identified in the *Condition*.

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). . . ."

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

b. Be allocable to Federal awards under the provisions of this Circular. . . .

j. Be adequately documented. . . ."

OMB Circular A-87, Attachment B, Section 8h states in part:

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

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

(a) More than one Federal award,

(b) A Federal award and a non-Federal award, . . .

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after the fact distribution of the actual activity of each employee,

(b) They must account for the total activity for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods, and . . ."

2 CFR 200.403 states in part:

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

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

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

(g) Be adequately documented. . . ."

2 CFR 200.430(h)(8) states in part:

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

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

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

Cause

The School Corporation had not established an effective internal control structure that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Additionally, an effective internal control structure had not been established to ensure supporting documentation was maintained relating to Personnel Activity Reports or other documentation of personnel expenses and the expenditures identified in the *Condition*.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation and to the ECSEC. Additionally, the failure to maintain supporting documentation prevented the determination of the School Corporation's compliance relating to Personnel Activity Reports or other documentation of personnel expenses and the expenditures identified in the *Condition*.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. Additionally, we recommended that management of the School Corporation and the ECSEC establish controls to ensure adequate supporting documentation will be maintained.

Views of Responsible Officials

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

FINDING 2016-006

Subject: Special Education Cluster (IDEA) - Cash Management
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Number): 14214-016-PN01, 14215-016-PN01, 14216-014-PN01, 45714-016-PN01, 45715-016-PN01, 45716-014-PN01
Pass-Through Entity: Indiana Dept of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Modified Opinion

Condition

The Elkhart County Special Education Cooperative (ECSEC) was a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The School Corporation was a participating member school corporation of the ECSEC. Goshen Community Schools (GCS) was the administrator of this Cooperative. Because the grant agreements were between Indiana Department of Education (IDOE) and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. An effective internal control system was not in place at the School Corporation and at the ECSEC in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The reimbursement request form prescribed by IDOE required dual signatures for approval before submission. Multiple reimbursement requests presented for audit did not have the required dual signatures.

Expenditures charged to the Special Education Cluster (IDEA) were paid without adequate documentation; therefore, it could not be determined whether expenditures were paid prior to the ECSEC requesting reimbursement.

The ECSEC, who operated out of its own fund on GCS's ledger and provided services to its member school corporations (members) and billed its members for those services, requested special education funds on behalf of its members in exchange for credits on its members' bills. The members budgeted and used the category, *Services from Another Educational Agency*, to account for the activity they wanted to receive from the ECSEC. For instance, the grant award, 14215-016-PN01, the ECSEC requested reimbursement on April 15, 2015, and on September 15, 2015, for the activities, *Certified Salaries* and *Employee Benefits*, but did not provide any supporting documentation for a total of $214,569 requested. The ECSEC's requested funds were received by GCS and comingled with GCS's Spec Ed Part B funds. The ECSEC did not bill its members for its services until January 8, 2016. The funds the ECSEC requested were never transferred to the appropriate GCS fund to reimburse the credits that were given to ECSEC members.

Context

The lack of controls and noncompliance were systemic issues which occurred throughout the audit period. Additionally, documentation was not provided to support requests for reimbursement and that expenditures were made prior to the request, and evidence was not presented to support approval of requests identified in the *Condition*.

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). . . ."

34 CFR 74.22 states in part:

". . . (e) (1) When the reimbursement method is used, the Secretary makes payment within 30 days after receipt of the billing, unless the billing is improper. . . .

(f). . . Thereafter, the Secretary reimburses the recipient for its actual cash disbursements. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

(a) The amount of funds under the grant or subgrant;

(b) How the State or subgrantee uses the funds;

(c) The total cost of the project;

(d) The share of that cost provided from other sources; and

(e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

The School Corporation had not established an effective internal control structure that would have ensured compliance with the grant agreement and the Cash Management compliance requirement. Additionally, an effective internal control structure had not been established to ensure supporting documentation was maintained relating to the reimbursement requests and expenditures identified in the *Condition*.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation and to the ECSEC. Additionally, the failure to maintain supporting documentation prevented the determination of the School Corporation's compliance relating to the reimbursement requests and expenditures identified in the *Condition*.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Cash Management compliance requirement. Additionally, we recommended that management of the School Corporation and the ECSEC establish controls to ensure supporting documentation will be maintained.

Views of Responsible Officials

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

FINDING 2016-007

Subject: Special Education Cluster (IDEA) - Period of Performance
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Number): 14214-016-PN01, 14215-016-PN01, 14216-014-PN01, 45714-016-PN01, 45715-016-PN01, 45716-014-PN01
Pass-Through Entity: Indiana Dept of Education
Compliance Requirement: Period of Performance
Audit Findings: Material Weakness, Modified Opinion

Condition

The Elkhart County Special Education Cooperative (ECSEC) was a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The School Corporation was a participating member school corporation of the ECSEC. Goshen Community Schools (GCS) was the administrator of this Cooperative. Because the grant agreements were between Indiana Department of Education and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. An effective internal control system was not in place at the School Corporation and at the ECSEC in order to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement. There were no controls in place to ensure that all expenditures charged to the grant fund were obligated within the Period of Performance. Expenditures charged by the ECSEC to the Special Education Cluster (IDEA) were paid with no supporting documentation to determine if expenditures were within the Period of Performance.

Context

The lack of controls and noncompliance were systemic issues which occurred throughout the audit period. Additionally, documentation was not provided to support the expenditures identified in the *Condition*.

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). . . ."

34 CFR 80.23 states:

"(a) *General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

(b) *Liquidation of obligations.* A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF–269). The Federal agency may extend this deadline at the request of the grantee."

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

(a) The amount of funds under the grant or subgrant;

(b) How the State or subgrantee uses the funds;

(c) The total cost of the project;

(d) The share of that cost provided from other sources; and

(e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

The School Corporation had not established an effective internal control structure that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement. Additionally, an effective internal control structure had not been established to ensure supporting documentation was maintained relating to the expenditures identified in the *Condition*.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation and to the ECSEC. Additionally, the failure to maintain supporting documentation prevented the determination of the School Corporation's compliance relating to the expenditures identified in the *Condition*.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Period of Performance compliance requirement. Additionally, we recommended that management of the School Corporation and the ECSEC establish controls to ensure that supporting documentation will be maintained.

Views of Responsible Officials

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

FINDING 2016-008

Subject: Special Education Cluster (IDEA) - Reporting
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14214-016-PN01, 14215-016-PN01, 14216-014-PN01, 45714-016-PN01, 45715-016-PN01, 45716-014-PN01
Pass-Through Entity: Indiana Dept of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Condition

The Elkhart County Special Education Cooperative (ECSEC) was a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The School Corporation was a participating member school corporation of the ECSEC. Goshen Community Schools (GCS) was the administrator of this Cooperative. Because the grant agreements were between Indiana Department of Education and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. An effective internal control system was not in place at the School Corporation and at the ECSEC in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. There were no controls in place to ensure that all expenditures charged to the grant fund were reported correctly.

The ECSEC, who requested funds on behalf of its member school corporations (members), did not provide any documentation supporting its reimbursement requests and were submitted without an oversight, review, or approval process to ensure they were accurate and in compliance with the Reporting compliance requirement. In addition, the ECSEC prepared and submitted the final reports for its members without an oversight, review, or approval process to ensure they were accurate and in compliance with the Reporting compliance requirement.

Context

The lack of controls and noncompliance were systemic issues which occurred throughout the audit period. Additionally, documentation was not provided to support the reimbursement requests and expenditures identified in the *Condition*.

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). . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(2) *Accounting records*. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. . . ."

2 CFR 200.302(b) states in part:

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

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

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

The School Corporation had not established a proper internal control structure that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. A lack of segregation of duties within an internal control system also allowed noncompliance with the compliance requirement 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. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation and to the ECSEC. Additionally, the failure to maintain supporting documentation prevented the determination of the School Corporation's compliance relating to reporting identified in the *Condition*.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Reporting compliance requirement. Additionally, we recommended that management of the School Corporation establish controls to ensure supporting documentation will be maintained.

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.

FAIRFIELD
COMMUNITY SCHOOLS
67240 CR 31, Goshen, IN 46528

Steve Thalheimer, Superintendent
Philip R. Menzie, Business Manager

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fax: (574) 831-5698
email: sthalheimer@fairfield.k12.in.us

December 19, 2017

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001
Fiscal year in which the finding initially occurred: FY 2012-2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Steve Thalheimer- Title I and Philip Menzie- Special Education
Contact Phone Number: 574-831-2188

Status of Audit Finding:

As per our respective responses dated February 9, 2016, the only internal control step that was missing was the cash request approval, and that step was added for both Title I and Special Education grants on July 1, 2014, the date that the internal control guidelines were requested by the Department of Education.

Sincerely,

FAIRFIELD COMMUNITY SCHOOLS

Philip R. Menzie

Philip R. Menzie
Business Manager

/pm

FAIRFIELD
COMMUNITY SCHOOLS
67240 CR 31, Goshen, IN 46528

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March 27, 2018

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Phil Menzie
Contact Phone Number: (574) 831-2188

Views of Responsible Official:

While we felt that we had a system of internal controls that would ensure proper reporting of the SEFA with the Deputy Treasurer collecting the data and the Business Manager entering it into the Gateway system, when an error appeared in one of the filings, it became evident that there needed to be an additional level of review.

Description of Corrective Action Plan:

For future filings, prior to entering the data into Gateway, the Business Manager will verify the numbers with reports from the financial software (Komputrol) that the Deputy Treasurer has submitted. Once those numbers are verified, both the Business Manager and the Deputy Treasurer will sign the reports prior to the Business Manager entering the data into Gateway.

Anticipated Completion Date: Immediately

Philip R. Menzie
Signature

BUSINESS MANAGER
Title

3/27/2018
Date

FAIRFIELD
COMMUNITY SCHOOLS
67240 CR 31, Goshen, IN 46528

Steve Thalheimer, Superintendent
Philip R. Menzie, Business Manager

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March 27, 2018

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Steve Thalheimer
Contact Phone Number: (574) 831-2188

Views of Responsible Official:

With the number of people that work with the Title I budget and grant details, we believed that we had adequate internal controls already in place. The Superintendent completes the application, a Title I specialist at the state level not only reviews the application, but also confirms the eligible schools; the Treasurer enters the employees who are to be paid through the grant into the payroll system; the Deputy Treasurer compiles the total expenditures monthly from the grant to file the request for reimbursement; and the Treasurer and the Deputy Treasurer work together on filing the annual expenditure report. With three people internally involved in the grant approval and process, not to mention the review of the application and reports at the state level, we would contend that an adequate system of internal controls is already in place. The step that was missing was having all of these people actually sign all of the calculations and reports.

Description of Corrective Action Plan:

Besides now securing the proper signatures on all the appropriate reports by not only those who prepared the reports, but also by anyone who reviews the reports, now as part of the payroll review process, the Business Manager will randomly check the employees who should be paid from the Title I grant and confirm that they have been paid properly for that payroll cycle. In addition, the Deputy Treasurer reviews the Payroll Distribution Report each cycle to be sure the proper amounts are being expended from the grant.

Anticipated Completion Date: Immediately

Signature

Superintendent
Title

3/27/2018
Date

Empowering a resilient, reflective, and responsible community to learn and lead boldly.

FAIRFIELD
COMMUNITY SCHOOLS
67240 CR 31, Goshen, IN 46528

Steve Thalheimer, Superintendent
Philip R. Menzie, Business Manager

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March 27, 2018

CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Phil Menzie
Contact Phone Number: (574) 831-2188

Views of Responsible Official:

The current Business Manager has been calculating the Maintenance of Effort for the federal Special Education grants since 1995 at two (2) different school corporations; performing the calculations at Fairfield Community Schools since 2008, and through bi-annual audits from the State Board of Accounts has never had the calculations questioned.

Description of Corrective Action Plan:

Understanding that federal guidelines are now more stringent in requiring the establishment of a system of internal controls for all types of federal grants, Fairfield Community Schools' Business Manager will now have the Maintenance of Effort calculations reviewed and signed by a second person who has knowledge of how the calculations are performed.

Anticipated Completion Date: Immediately

Philip R. Menzie
Signature

BUSINESS MANAGER
Title

3/27/2018
Date

FAIRFIELD
COMMUNITY SCHOOLS
67240 CR 31, Goshen, IN 46528

Steve Thalheimer, Superintendent
Philip R. Menzie, Business Manager

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April 10, 2018

CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Phil Menzie
Contact Phone Number: (574) 831-2188

Views of Responsible Official:

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

While Fairfield Community Schools acknowledges that as a member of the Cooperative they, along with other member schools, are equally responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants, it should be stated that the shortcomings documented in this finding are of an internal nature at the administrative school (GCS). The audit completed by the State Board of Accounts for this period on the records of Fairfield Community Schools relative to special education programs and related grants found no deficiencies save for not having a second person review the Maintenance of Effort calculation.

Description of Corrective Action Plan:

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

Anticipated Completion Date: Immediately

Philip R. Menzie
Signature

Business Manager
Title

April 10, 2018
Date

FAIRFIELD
COMMUNITY SCHOOLS
67240 CR 31, Goshen, IN 46528

Steve Thalheimer, Superintendent
Philip R. Menzie, Business Manager

phone: (574) 831-2188
fax: (574) 831-5698
email: sthalheimer@fairfield.k12.in.us

April 10, 2018

CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Phil Menzie
Contact Phone Number: (574) 831-2188

Views of Responsible Official:

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April 10, 2018

CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Phil Menzie
Contact Phone Number: (574) 831-2188

Views of Responsible Official:

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Anticipated Completion Date: Immediately

Philip R. Menzie
Signature

Business Manager
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April 10, 2018
Date

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67240 CR 31, Goshen, IN 46528

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Philip R. Menzie, Business Manager

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April 10, 2018

CORRECTIVE ACTION PLAN

FINDING 2016-007

Contact Person Responsible for Corrective Action: Phil Menzie
Contact Phone Number: (574) 831-2188

Views of Responsible Official:

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Business Manager
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April 10, 2018
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April 10, 2018

CORRECTIVE ACTION PLAN

FINDING 2016-008

Contact Person Responsible for Corrective Action: Phil Menzie
Contact Phone Number: (574) 831-2188

Views of Responsible Official:

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Anticipated Completion Date: Immediately

Philip R. Menzie
Signature

Business Manager
Title

April 10, 2018
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/.