

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

BAUGO COMMUNITY SCHOOLS
ELKHART COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
05/17/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bruce Perry Nancy R. Winnicki	01-01-14 to 01-27-17 01-28-17 to 12-31-18
Superintendent of Schools	James H. DuBois	07-01-14 to 06-30-18
President of the School Board	David Polston Edward Collins Caleb Pontius Edward Collins	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 13, 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, CPA
State Examiner

April 13, 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 BAUGO COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Baugo Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated April 13, 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

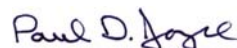
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

Baugo Community Schools' Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

April 13, 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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BAUGO 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	\$ 634,521	\$ 11,480,059	\$ 11,918,359	\$ -	\$ 196,221	\$ 11,914,343	\$ 11,685,757	\$ 58,987	\$ 483,794
Debt Service	1,990,753	3,502,607	3,460,318	-	2,033,042	3,334,885	3,455,167	-	1,912,760
Retirement/Severance Bond Debt Service	98,606	194,804	190,083	-	103,327	187,979	188,114	-	103,192
Capital Projects	1,002,699	2,179,674	1,952,078	30	1,230,325	2,166,295	2,093,409	-	1,303,211
School Transportation	505,251	1,286,036	1,180,876	(188,215)	422,196	1,274,015	1,304,157	27,633	419,687
School Bus Replacement	206,157	136,334	139,260	-	203,231	146,518	146,151	-	203,598
Rainy Day	177,928	-	-	188,215	366,143	74,276	-	-	440,419
Retirement/Severance Bond	51,488	-	-	-	51,488	-	-	-	51,488
Construction Fund GOB 2011	70,078	-	70,078	-	-	-	-	-	-
Construction Fund GOB 2013	1,033,748	-	840,541	-	193,207	-	193,207	-	-
Construction Fund GOB 2016	-	-	-	-	-	-	592,731	1,482,154	889,423
School Lunch	134,622	755,444	809,959	-	80,107	786,008	782,885	-	83,230
Textbook Rental	47,313	264,762	173,340	-	138,735	289,112	217,389	-	210,458
Self-Insurance	1,322,372	2,588,751	1,987,058	-	1,924,065	1,309,172	1,164,454	-	2,068,783
Levy Excess	26,592	1,041	-	-	27,633	-	-	(27,633)	-
Educational License Plates	4,907	75	-	-	4,982	19	-	-	5,001
Alternative Education	3,353	4,429	-	-	7,782	7,929	-	-	15,711
Donation	10,500	-	-	(10,000)	500	1,074	-	-	1,574
Wellness/Fitness Grant	184	-	-	-	184	-	-	-	184
Community Investment Grant	-	24,590	-	-	24,590	-	24,590	-	-
Business Scholarship	50	-	-	-	50	2,000	-	-	2,050
Miscellaneous Programs	5	-	-	-	5	-	-	-	5
Formative Assessment	-	-	-	-	-	23,897	23,897	-	-
IN Positive Behavior Supp	226	-	-	-	226	-	-	-	226
High Ability	366	-	-	-	366	-	-	-	366
High Ability 2013-14	10,439	-	10,439	-	-	-	-	-	-
High Ability 2014-15	-	31,829	30,207	-	1,622	-	1,622	-	-
High Ability 2015-16	-	-	-	-	-	32,854	22,198	-	10,656
Medicaid Reimbursement	32,418	121	-	-	32,539	31,232	6,385	-	57,386
Non-English Speaking 2013-2014	963	-	963	-	-	-	-	-	-
Non-English Speaking 2014-2015	-	7,110	818	-	6,292	-	6,292	-	-
School Technology	1,468	5,349	6,558	-	259	8,724	7,778	-	1,205
Excellence in Performance	-	18,611	18,611	-	-	-	-	-	-
Performance grant	-	42,017	40,572	-	1,445	21,416	22,861	-	-
Title I 2013-14	(28,211)	62,208	33,997	-	-	-	-	-	-
Title I 2014-15	-	192,089	212,702	-	(20,613)	43,100	22,487	-	-
Title I 2015-16	-	-	-	-	-	179,902	195,626	-	(15,724)
SPED Part B FY2013-14	(34,678)	58,043	23,365	-	-	-	-	(1)	(1)
SPED Tech Assit FY2014	-	450	775	-	(325)	925	600	-	-
SPED Part B FY2014-15	-	190,158	233,098	-	(42,940)	75,684	32,735	(9)	-
SPED Part B FY2015-16	-	-	-	-	-	212,581	259,604	-	(47,023)
Medicaid Reimbursement - Federal	54,554	47,272	37,643	-	64,183	50,929	13,484	(58,977)	42,651
Title II 2012-13	(4,769)	16,891	12,122	-	-	-	-	-	-
Title II 2013-14	-	42,248	43,665	-	(1,417)	4,383	2,966	-	-
Title II 2014-15	-	-	2,500	-	(2,500)	29,503	34,812	-	(7,809)
Title II 2015-16	-	-	-	-	-	-	17,303	-	(17,303)
Title III FY2015-16	-	-	-	-	-	7,317	8,751	-	(1,434)
ETHOS Math And Science Partnership	-	-	-	-	-	4,500	2,000	-	2,500
Prepaid Food	-	-	-	-	-	182,640	174,512	-	8,128
Payroll Clearing	358	2,314,761	2,314,538	-	581	2,357,384	2,357,100	-	865
Other Clearing	2,861	45,931	86,958	-	(38,166)	129,030	83,610	-	7,254
Totals	\$ 7,357,122	\$ 25,493,694	\$ 25,831,481	\$ (9,970)	\$ 7,009,365	\$ 24,889,626	\$ 25,144,634	\$ 1,482,154	\$ 8,236,511

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

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, 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.

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, 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

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Other Financing Sources (Uses) Negative Entries

The financial statement column applicable to year 2016 labeled Financial Sources (Uses) reports some negative amounts. This is the result of software conversion. Additional information regarding the negative amounts can be found in the 2016 Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, which is part of the other information following the financial statement.

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants/funds. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2015 and 2016.

Note 9. Holding Corporation

The School Corporation has entered into a capital lease with Baugo School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal year 2015 and fiscal year 2016 totaled \$2,867,000 and \$2,864,500, respectively.

Note 10. Subsequent Event

On September 11, 2017, the School Corporation issued \$1,855,000 in General Obligation Bonds to finance the renovation costs of improvements to school facilities and technology throughout the district and pay issuance costs. The bonds have a 2 percent interest rate with 5 payments due between July 15, 2018 and July 15, 2020.

Note 11. Other Postemployment Benefits

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

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://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.

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction Fund GOB 2011
Cash and investments - beginning	\$ 634,521	\$ 1,990,753	\$ 98,606	\$ 1,002,699	\$ 505,251	\$ 206,157	\$ 177,928	\$ 51,488	\$ 70,078
Receipts:									
Local sources	71,126	3,502,607	194,804	1,570,293	997,405	136,334	-	-	-
Intermediate sources	25	-	-	-	-	-	-	-	-
State sources	11,402,349	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	609,381	288,631	-	-	-	-
Other receipts	6,559	-	-	-	-	-	-	-	-
Total receipts	11,480,059	3,502,607	194,804	2,179,674	1,286,036	136,334	-	-	-
Disbursements:									
Instruction	7,735,104	-	-	-	-	-	-	-	-
Support services	3,949,312	23,246	-	795,419	980,671	139,260	-	-	52,100
Noninstructional services	233,943	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	512,728	-	-	-	-	17,978
Debt service	-	3,437,072	190,083	643,931	200,205	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	11,918,359	3,460,318	190,083	1,952,078	1,180,876	139,260	-	-	70,078
Excess (deficiency) of receipts over disbursements	(438,300)	42,289	4,721	227,596	105,160	(2,926)	-	-	(70,078)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	30	-	-	-	-	-
Transfers in	-	-	-	-	-	-	188,215	-	-
Transfers out	-	-	-	-	(188,215)	-	-	-	-
Total other financing sources (uses)	-	-	-	30	(188,215)	-	188,215	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(438,300)	42,289	4,721	227,626	(83,055)	(2,926)	188,215	-	(70,078)
Cash and investments - ending	\$ 196,221	\$ 2,033,042	\$ 103,327	\$ 1,230,325	\$ 422,196	\$ 203,231	\$ 366,143	\$ 51,488	\$ -

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

	Construction Fund GOB 2013	Construction Fund GOB 2016	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	Donation
Cash and investments - beginning	\$ 1,033,748	\$ -	\$ 134,622	\$ 47,313	\$ 1,322,372	\$ 26,592	\$ 4,907	\$ 3,353	\$ 10,500
Receipts:									
Local sources	-	-	344,244	185,706	2,588,751	1,041	-	-	-
Intermediate sources	-	-	-	-	-	-	75	-	-
State sources	-	-	9,717	77,865	-	-	-	4,429	-
Federal sources	-	-	400,685	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	798	1,191	-	-	-	-	-
Total receipts	-	-	755,444	264,762	2,588,751	1,041	75	4,429	-
Disbursements:									
Instruction	-	-	2,219	-	-	-	-	-	-
Support services	241,804	-	30,394	173,340	-	-	-	-	-
Noninstructional services	-	-	777,346	-	-	-	-	-	-
Facilities acquisition and construction	598,737	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	1,987,058	-	-	-	-
Total disbursements	840,541	-	809,959	173,340	1,987,058	-	-	-	-
Excess (deficiency) of receipts over disbursements	(840,541)	-	(54,515)	91,422	601,693	1,041	75	4,429	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(10,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(10,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(840,541)	-	(54,515)	91,422	601,693	1,041	75	4,429	(10,000)
Cash and investments - ending	\$ 193,207	\$ -	\$ 80,107	\$ 138,735	\$ 1,924,065	\$ 27,633	\$ 4,982	\$ 7,782	\$ 500

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

	Wellness/ Fitness Grant	Community Investment Grant	Business Scholarship	Miscellaneous Programs	Formative Assessment	IN Positive Behavior Supp	High Ability	High Ability 2013-14	High Ability 2014-15
Cash and investments - beginning	\$ 184	\$ -	\$ 50	\$ 5	\$ -	\$ 226	\$ 366	\$ 10,439	\$ -
Receipts:									
Local sources	-	24,590	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	31,829
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	24,590	-	-	-	-	-	-	31,829
Disbursements:									
Instruction	-	-	-	-	-	-	-	10,439	30,207
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-	10,439	30,207
Excess (deficiency) of receipts over disbursements	-	24,590	-	-	-	-	-	(10,439)	1,622
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	-	24,590	-	-	-	-	-	(10,439)	1,622
Cash and investments - ending	\$ 184	\$ 24,590	\$ 50	\$ 5	\$ -	\$ 226	\$ 366	\$ -	\$ 1,622

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

	High Ability 2015-16	Medicaid Reimbursement	Non- English Speaking 2013- 2014	Non-English Speaking 2014-2015	School Technology	Excelece in Performance	Performance grant	Title I 2013-14	Title I 2014-15
Cash and investments - beginning	\$ -	\$ 32,418	\$ 963	\$ -	\$ 1,468	\$ -	\$ -	\$ (28,211)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	121	-	7,110	5,349	18,611	42,017	-	-
Federal sources	-	-	-	-	-	-	-	62,208	192,089
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	121	-	7,110	5,349	18,611	42,017	62,208	192,089
Disbursements:									
Instruction	-	-	963	818	-	18,611	40,572	13,849	175,427
Support services	-	-	-	-	6,558	-	-	20,148	37,275
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	963	818	6,558	18,611	40,572	33,997	212,702
Excess (deficiency) of receipts over disbursements	-	121	(963)	6,292	(1,209)	-	1,445	28,211	(20,613)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	-	121	(963)	6,292	(1,209)	-	1,445	28,211	(20,613)
Cash and investments - ending	\$ -	\$ 32,539	\$ -	\$ 6,292	\$ 259	\$ -	\$ 1,445	\$ -	\$ (20,613)

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

	Title I 2015-16	SPED Part B FY2013-14	SPED Tech Assit FY2014	SPED Part B FY2014-15	SPED Part B FY2015-16	Medicaid Reimbursement - Federal	Title II 2012-13	Title II 2013-14
Cash and investments - beginning	\$ -	\$ (34,678)	\$ -	\$ -	\$ -	\$ 54,554	\$ (4,769)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	58,043	450	190,158	-	47,272	16,891	42,248
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	58,043	450	190,158	-	47,272	16,891	42,248
Disbursements:								
Instruction	-	23,365	775	229,160	-	16,873	-	-
Support services	-	-	-	3,938	-	14,679	12,122	43,665
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	6,091	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	23,365	775	233,098	-	37,643	12,122	43,665
Excess (deficiency) of receipts over disbursements	-	34,678	(325)	(42,940)	-	9,629	4,769	(1,417)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
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	-	34,678	(325)	(42,940)	-	9,629	4,769	(1,417)
Cash and investments - ending	\$ -	\$ -	\$ (325)	\$ (42,940)	\$ -	\$ 64,183	\$ -	\$ (1,417)

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

	Title II 2014-15	Title II 2015-16	Title III FY2015-16	ETHOS Math And Science Partnership	Prepaid Food	Payroll Clearing	Other Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	358	2,861	\$ 7,357,122
Receipts:								
Local sources	-	-	-	-	-	-	-	9,616,901
Intermediate sources	-	-	-	-	-	-	-	100
State sources	-	-	-	-	-	-	-	11,599,397
Federal sources	-	-	-	-	-	-	-	1,010,044
Temporary loans	-	-	-	-	-	-	-	898,012
Other receipts	-	-	-	-	-	2,314,761	45,931	2,369,240
Total receipts	-	-	-	-	-	2,314,761	45,931	25,493,694
Disbursements:								
Instruction	-	-	-	-	-	-	-	8,298,382
Support services	2,500	-	-	-	-	-	-	6,526,431
Noninstructional services	-	-	-	-	-	-	-	1,011,289
Facilities acquisition and construction	-	-	-	-	-	-	-	1,135,534
Debt service	-	-	-	-	-	-	-	4,471,291
Nonprogrammed charges	-	-	-	-	-	2,314,538	86,958	4,388,554
Total disbursements	2,500	-	-	-	-	2,314,538	86,958	25,831,481
Excess (deficiency) of receipts over disbursements	(2,500)	-	-	-	-	223	(41,027)	(337,787)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	30
Transfers in	-	-	-	-	-	-	-	188,215
Transfers out	-	-	-	-	-	-	-	(198,215)
Total other financing sources (uses)	-	-	-	-	-	-	-	(9,970)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,500)	-	-	-	-	223	(41,027)	(347,757)
Cash and investments - ending	\$ (2,500)	\$ -	\$ -	\$ -	\$ -	\$ 581	\$ (38,166)	\$ 7,009,365

BAUGO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction Fund GOB 2011
Cash and investments - beginning	\$ 196,221	\$ 2,033,042	\$ 103,327	\$ 1,230,325	\$ 422,196	\$ 203,231	\$ 366,143	\$ 51,488	\$ -
Receipts:									
Local sources	88,685	3,334,885	187,979	1,723,676	941,358	146,518	74,276	-	-
Intermediate sources	8	-	-	-	-	-	-	-	-
State sources	11,818,843	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	437,078	332,657	-	-	-	-
Other receipts	6,807	-	-	5,541	-	-	-	-	-
Total receipts	11,914,343	3,334,885	187,979	2,166,295	1,274,015	146,518	74,276	-	-
Disbursements:									
Instruction	7,721,715	-	-	-	1,323	-	-	-	-
Support services	3,737,154	25,149	-	958,719	993,382	146,151	-	-	-
Noninstructional services	225,423	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	636,606	-	-	-	-	-
Debt service	1,465	3,430,018	188,114	498,084	309,452	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	11,685,757	3,455,167	188,114	2,093,409	1,304,157	146,151	-	-	-
Excess (deficiency) of receipts over disbursements	228,586	(120,282)	(135)	72,886	(30,142)	367	74,276	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	58,987	-	-	-	27,633	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	58,987	-	-	-	27,633	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	287,573	(120,282)	(135)	72,886	(2,509)	367	74,276	-	-
Cash and investments - ending	\$ 483,794	\$ 1,912,760	\$ 103,192	\$ 1,303,211	\$ 419,687	\$ 203,598	\$ 440,419	\$ 51,488	\$ -

BAUGO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Construction Fund GOB 2013	Construction Fund GOB 2016	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	Donation
Cash and investments - beginning	\$ 193,207	\$ -	\$ 80,107	\$ 138,735	\$ 1,924,065	\$ 27,633	\$ 4,982	\$ 7,782	\$ 500
Receipts:									
Local sources	-	-	343,702	206,560	1,309,172	-	-	-	1,074
Intermediate sources	-	-	-	-	-	-	19	-	-
State sources	-	-	10,488	82,359	-	-	-	7,929	-
Federal sources	-	-	429,381	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	2,437	193	-	-	-	-	-
Total receipts	-	-	786,008	289,112	1,309,172	-	19	7,929	1,074
Disbursements:									
Instruction	-	-	3,289	-	-	-	-	-	-
Support services	10,452	552	10,750	217,389	-	-	-	-	-
Noninstructional services	-	-	761,196	-	-	-	-	-	-
Facilities acquisition and construction	182,755	592,179	7,650	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	1,164,454	-	-	-	-
Total disbursements	193,207	592,731	782,885	217,389	1,164,454	-	-	-	-
Excess (deficiency) of receipts over disbursements	(193,207)	(592,731)	3,123	71,723	144,718	-	19	7,929	1,074
Other financing sources (uses):									
Proceeds of long-term debt	-	1,482,154	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	(26,387)	-	-	-
Transfers out	-	-	-	-	-	(1,246)	-	-	-
Total other financing sources (uses)	-	1,482,154	-	-	-	(27,633)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(193,207)	889,423	3,123	71,723	144,718	(27,633)	19	7,929	1,074
Cash and investments - ending	\$ -	\$ 889,423	\$ 83,230	\$ 210,458	\$ 2,068,783	\$ -	\$ 5,001	\$ 15,711	\$ 1,574

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

	Wellness/ Fitness Grant	Community Investment Grant	Business Scholarship	Miscellaneous Programs	Formative Assessment	IN Positive Behavior Supp	High Ability	High Ability 2013-14	High Ability 2014-15
Cash and investments - beginning	\$ 184	\$ 24,590	\$ 50	\$ 5	\$ -	\$ 226	\$ 366	\$ -	\$ 1,622
Receipts:									
Local sources	-	-	2,000	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	23,897	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	2,000	-	23,897	-	-	-	-
Disbursements:									
Instruction	-	-	-	-	23,897	-	-	-	1,622
Support services	-	24,590	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	24,590	-	-	23,897	-	-	-	1,622
Excess (deficiency) of receipts over disbursements	-	(24,590)	2,000	-	-	-	-	-	(1,622)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	-	(24,590)	2,000	-	-	-	-	-	(1,622)
Cash and investments - ending	\$ 184	\$ -	\$ 2,050	\$ 5	\$ -	\$ 226	\$ 366	\$ -	\$ -

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

	High Ability 2015-16	Medicaid Reimbursement	Non- English Speaking 2013- 2014	Non-English Speaking 2014-2015	School Technology	Excelece in Performance	Performance grant	Title I 2013-14	Title I 2014-15
Cash and investments - beginning	\$ -	\$ 32,539	\$ -	\$ 6,292	\$ 259	\$ -	\$ 1,445	\$ -	\$ (20,613)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	32,854	31,232	-	-	8,724	-	21,416	-	-
Federal sources	-	-	-	-	-	-	-	-	43,100
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	32,854	31,232	-	-	8,724	-	21,416	-	43,100
Disbursements:									
Instruction	22,198	6,385	-	6,292	-	-	22,861	-	15,191
Support services	-	-	-	-	7,778	-	-	-	7,296
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	22,198	6,385	-	6,292	7,778	-	22,861	-	22,487
Excess (deficiency) of receipts over disbursements	10,656	24,847	-	(6,292)	946	-	(1,445)	-	20,613
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	10,656	24,847	-	(6,292)	946	-	(1,445)	-	20,613
Cash and investments - ending	\$ 10,656	\$ 57,386	\$ -	\$ -	\$ 1,205	\$ -	\$ -	\$ -	\$ -

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

	Title I 2015-16	SPED Part B FY2013-14	SPED Tech Assit FY2014	SPED Part B FY2014-15	SPED Part B FY2015-16	Medicaid Reimbursement - Federal	Title II 2012-13	Title II 2013-14
Cash and investments - beginning	\$ -	\$ -	\$ (325)	\$ (42,940)	\$ -	\$ 64,183	\$ -	\$ (1,417)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	179,902	-	925	75,684	212,581	50,929	-	4,383
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	179,902	-	925	75,684	212,581	50,929	-	4,383
Disbursements:								
Instruction	155,304	-	600	32,735	259,604	12,519	-	-
Support services	38,093	-	-	-	-	837	-	2,966
Noninstructional services	2,229	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	128	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	195,626	-	600	32,735	259,604	13,484	-	2,966
Excess (deficiency) of receipts over disbursements	(15,724)	-	325	42,949	(47,023)	37,445	-	1,417
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	(1)	-	(9)	-	(58,977)	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(1)	-	(9)	-	(58,977)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,724)	(1)	325	42,940	(47,023)	(21,532)	-	1,417
Cash and investments - ending	\$ (15,724)	\$ (1)	\$ -	\$ -	\$ (47,023)	\$ 42,651	\$ -	\$ -

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

	Title II 2014-15	Title II 2015-16	Title III FY2015-16	ETHOS Math And Science Partnership	Prepaid Food	Payroll Clearing	Other Clearing	Totals
Cash and investments - beginning	\$ (2,500)	\$ -	\$ -	\$ -	\$ -	581	(38,166)	\$ 7,009,365
Receipts:								
Local sources	-	-	-	-	-	-	-	8,359,885
Intermediate sources	-	-	-	-	-	-	-	27
State sources	-	-	-	4,500	-	-	-	12,042,242
Federal sources	29,503	-	7,317	-	-	-	-	1,033,705
Temporary loans	-	-	-	-	-	-	-	769,735
Other receipts	-	-	-	-	182,640	2,357,384	129,030	2,684,032
Total receipts	29,503	-	7,317	4,500	182,640	2,357,384	129,030	24,889,626
Disbursements:								
Instruction	-	-	-	-	-	-	-	8,285,535
Support services	34,812	17,303	8,751	2,000	-	-	-	6,244,124
Noninstructional services	-	-	-	-	-	-	-	988,848
Facilities acquisition and construction	-	-	-	-	-	-	-	1,419,318
Debt service	-	-	-	-	-	-	-	4,427,133
Nonprogrammed charges	-	-	-	-	174,512	2,357,100	83,610	3,779,676
Total disbursements	34,812	17,303	8,751	2,000	174,512	2,357,100	83,610	25,144,634
Excess (deficiency) of receipts over disbursements	(5,309)	(17,303)	(1,434)	2,500	8,128	284	45,420	(255,008)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,482,154
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	1,246
Transfers out	-	-	-	-	-	-	-	(1,246)
Total other financing sources (uses)	-	-	-	-	-	-	-	1,482,154
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,309)	(17,303)	(1,434)	2,500	8,128	284	45,420	1,227,146
Cash and investments - ending	\$ (7,809)	\$ (17,303)	\$ (1,434)	\$ 2,500	\$ 8,128	\$ 865	\$ 7,254	\$ 8,236,511

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

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 8,995</u>	<u>\$ 89,293</u>

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Baugo School Building Corporation	New School Building Project and Renovations	\$ 2,866,500	6/30/2015	12/31/2024
Total of annual lease payments		<u>\$ 2,866,500</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Facility Repairs Equipment Purchases	\$ 1,490,000	\$ 754,953
General obligation bonds	Pension Bond	605,000	183,357
Tax anticipation warrants	Short term financing for transportation and capital projects funds	<u>748,914</u>	<u>756,861</u>
Total governmental activities		<u>2,843,914</u>	<u>1,695,171</u>
Totals		<u>\$ 2,843,914</u>	<u>\$ 1,695,171</u>

BAUGO COMMUNITY SCHOOLS
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2016

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 282,449
Buildings	43,298,533
Improvements other than buildings	1,441,343
Machinery, equipment, and vehicles	<u>3,574,440</u>
Total governmental activities	<u>48,596,765</u>
Total capital assets	<u>\$ 48,596,765</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the Baugo Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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 Child Nutrition Cluster

As described in item 2016-002 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Activities or Unallowable and Allowable Costs/Cost Principles compliance requirements. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

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 Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, 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 Child Nutrition Cluster for the period of July 1, 2014 to June 30, 2016.

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.

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, CPA
State Examiner

April 13, 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.

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BAUGO 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
<u>Department of Agriculture</u>							
Child Nutrition Cluster	IN Dept. of Education						
School Breakfast Program		10.553	FY 2015/FY2016	\$ -	\$ 63,400	\$ -	\$ 64,798
National School Lunch Program		10.555	FY 2015/FY2016	-	337,288	-	359,583
National School Lunch Program - Commodities		10.555	FY 2015-2016	-	62,032	-	56,103
Total - National School Lunch Program				-	399,320	-	415,686
Total - Child Nutrition Cluster				-	462,720	-	480,484
Child Nutrition Discretionary Grants Limited Availability 2014 NSLP Equipment Grant	IN Dept. of Education	10.579	FY 2015-2016	-	-	-	5,000
Total - Department of Agriculture				-	462,720	-	485,484
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	IN Dept. of Education						
SPED Grant 2013-14		84.027	14214-016-PN01	-	132,568	-	-
SPED Grant 2014-15		84.027	14215-016-PN01	-	243,984	-	129,510
SPED Grant 2015-16		84.027	14216-016-PN01	-	-	-	287,311
SPED Technical Assistance FY2014		84.027	99914-016-TA01	-	1,275	-	1,479
Total - Special Education Grants to States				-	377,827	-	418,300
Special Education Preschool Grants	IN Dept. of Education						
		84.173	45714-016-PN01	-	12,074	-	-
		84.173	45715-016-PN01	-	14,893	-	5,558
		84.173	45716-014-PN01	-	-	-	11,180
Total - Special Education Preschool Grants				-	26,967	-	16,738
Total - Special Education Cluster (IDEA)				-	404,794	-	435,038
Title I Grants to Local Educational Agencies	IN Dept. of Education						
Title I 2013-14		84.010	14-2260	-	62,208	-	-
Title I 2014-15		84.010	15-2260	-	192,089	-	43,100
Title I 2015-16		84.010	16-2260	-	-	-	179,902
Total - Title I Grants to Local Educational Agencies				-	254,297	-	223,002
English Language Acquisition State Grants	IN Dept. of Education						
Title III 2015-2017		84.365	01116-018-PN01	-	-	-	7,317
Total - English Acquisition State Grants				-	-	-	7,317
Improving Teacher Quality State Grants	IN Dept. of Education						
Title II 2012-13		84.367	FY13	-	16,891	-	-
Title II 2013-14		84.367	FY14	-	42,248	-	4,383
Title II 2014-15		84.367	FY15	-	-	-	29,503
Total - Improving Teacher Quality State Grants				-	59,139	-	33,886
Total - Department of Education				-	718,230	-	699,243
Total federal awards expended				\$ -	\$ 1,180,950	\$ -	\$ 1,184,727

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

BAUGO COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (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.

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

Condition

There were several deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting.

Receipts

The School Corporation had not separated incompatible activities related to receipts, posting of receipts, and the preparation of the bank reconcilements. One person was solely responsible for all aspects of the receipts process and the preparation of the bank reconciliations.

Reporting

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statements. There were not adequate controls to ensure the accuracy of the transactions included in the records and reported in the financial statement for the Prepaid Food, Payroll Clearing, and Other Clearing funds.

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. . . ."

"The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes:

- Accurate and timely recording of transactions. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control that would have ensured proper reporting of Financial Transaction and Reporting of receipts.

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

Effect

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

Recommendation

We recommended that the School Corporation establish a system of internal controls related to Financial Transactions and Reporting of receipts.

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: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015/FY2016
Pass-Through Entity: IN Dept. of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

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 and Allowable Costs/Cost Principles compliance requirements. Effective controls were not in place to ensure that only applicable employees were paid from program funds.

The School Corporation paid \$112,232 of business office salaries/wages that were allocated to the school lunch based on fixed percentages. There was no supporting documentation to indicate how the percentages were determined.

Context

This is was a systemic issue, which occurred throughout the audit period.

Criteria

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

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

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

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(4) states in part:

"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, . . ."

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. . . ."

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

2 CFR 200.430(i) 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. . . ."

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

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

The \$112,232 of the business office salaries/wages allocated to the School Lunch fund was considered questioned costs.

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

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and to comply with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

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 Grants to States - 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, 99910-TA01,
14215-016-PN01, 14216-016-PN01

Pass-Through Entity: IN Dept. of Education

Compliance Requirement: 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). . . ."

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

Cause

The School Corporation had not established a proper internal control structure that would have ensured compliance with the grant agreement and the Level of Effort - Maintenance of Effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

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 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 Matching, Level of Effort, Earmarking compliance requirement.

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 Numbers): 14214-016-PN01, 14215-016-PN01,
14216-014-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: IN 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. The 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 Activities Allowed or Unallowed.

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

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 *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 the GCS's Spec Ed Part B funds and never transferred into the appropriate ECSEC fund. As a result, the requested funds that belong to the ECSEC were commingled with the Special Ed Part B fund transactions that benefited the 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 Spec 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."

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

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 requirement. 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 Spec 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 Spec 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*.

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

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 Numbers): 14214-016-PN01, 14215-016-PN01,
14216-016-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: IN 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. The 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 the 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. Time and Effort 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 found 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).

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

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. The 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 *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 the GCS's Spec Ed Part B funds and never transferred into the appropriate ECSEC fund. As a result, the requested funds that belong to the ECSEC were commingled with the Special Ed Part B fund transactions that benefited the 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:

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

(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.

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

(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(i) 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 Time and Effort 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 Time and Effort 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.

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

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 Numbers): 14214-016-PN01, 14215-016-PN01,
14216-016-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: IN 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. The Goshen Community Schools (GCS) was the administrator of this Cooperative. Because the grant agreements were between the 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 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 the 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. The ECSEC's requested funds were received by the GCS and comingled with the 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.

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

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 section 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:

"Reimbursement is the preferred method when the requirements in paragraph (b) of this section cannot be met. . . ."

(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;

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

(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 Numbers): 14214-016-PN01, 14215-016-PN01,
14216-016-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: IN Dept. of Education

Compliance Requirement: Period of Performance

Audit Findings: Material Weakness, Modified Opinion

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

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. The 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 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."

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

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 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.

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

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,
14216-016-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: IN 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. The 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 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 corporation (members), did not provide any documentation supporting its reimbursement requests and reimbursement requests were submitted without an oversight, review, or approval process to ensure reimbursement requests 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 final reports 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:

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

(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. . . ."

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

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

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

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.

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AUDITEE-PREPARED DOCUMENTS

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



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-003

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Carol Deak

Contact Phone Number: (574) 293-8583

Status of Audit Finding:

Allowable Activities

The Food Service Director now reviews and approves invoices and vouchers for payment to the vendor.

Cash Management

A spreadsheet has been updated to ensure monthly cash balances are in compliance and do not exceed the average of three months of expenses.

Eligibility

Multiple individuals are involved in the eligibility and reporting processing for Free and Reduced lunch applications and controls.

Reporting

Documentation has been added to indicate controls are in place for the reporting process.

Carol Deak
(Signature)

Assistant Superintendent
(Title)

1/5/18
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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FINDING 2014-004

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Carol Deak

Contact Phone Number: (574) 293-8583

Status of Audit Finding:

Internal control procedures have been implemented to ensure compliance for Special Tests and Provision of the school lunch program.

Carol Deak

(Signature)

Assistant Superintendent

(Title)

1/5/18

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Nancy Winnicki
Contact Phone Number: 574-293-8583

Description of Corrective Action Plan:

Management recognizes and acknowledges that an effective internal control system is established through segregated duties.

The treasurer currently prepares the receipts and bank reconciliations. The bank reconciliations are then reviewed and signed by the Superintendent. The Treasurer will continue to prepare receipts; however, the Business Manager will review and sign the receipt documents.

Previously funds were deposited throughout the month then grouped into one receipt at the end of the month. Effective immediately, individual receipts will be issued when the deposit is made, unless there is a separate software system to verify daily and monthly receipts; example, textbook software (Renweb) and school lunch fund (Mealtime).

During the audit it was determined at the time of our software transition (Komputrol), various payroll clearing accounts were posted in one account, rather than segregated into individual accounts as in prior years. Upon discovering this issue, the system was updated/changed to record payroll withholding amounts in one account, and payment of the funds to another account.

Anticipation Complete Date:

Effective immediately as of January 31, 2018

Nancy Winnicki
(Signature)

TREASURER
(Title)

01/31/2018
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Zac Quiett
Contact Phone Number: 574-293-8583

Description of Corrective Action Plan:

Management recognizes and acknowledges that an effective internal control system is established through compliance with Allowable Costs/Cost Principles.

Management will review and create new controls to ensure compliance of recording wages and salaries for staff personnel associated with Food Service through a Time and Effort Log, and/or evaluate an indirect costing structure.

Anticipation Complete Date:

Effective immediately as of January 31, 2018

Zac Quiett
(Signature)

Business Manager
(Title)

1/31/18
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Carol Deak
Contact Phone Number: 574-293-8583

Description of Corrective Action Plan:

Management recognizes and acknowledges that an effective internal control system is established through maintaining proper compliance with the Special Education Maintenance of Effort reporting.

The Maintenance of Effort calculation and reporting will be prepared by one individual and reviewed and approved by another person.

Anticipation Complete Date:

Effective immediately as of January 31, 2018

Carol Deak
(Signature)

Assistant Superintendent
(Title)

1/31/18
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Carol Deak
Contact Phone Number: 574-293-8583

Views of Responsible Official:

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

While Baugo 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 Baugo Community Schools relative to special education programs and related grants found no deficiencies related to the Activities Allowed or Unallowed compliance requirement.

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. Baugo Community Schools business office personnel and our Special Education Coordinator 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: Ongoing Implementation


(Signature)

Assistant Superintendent

April 13, 2018



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CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Carol Deak
Contact Phone Number: 574-293-8583

Views of Responsible Official:

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

While Baugo 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 Baugo Community Schools relative to special education programs and related grants found no deficiencies related to the Allowable Costs/Cost Principles compliance requirement.

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. Baugo Community Schools business office personnel and our Special Education Coordinator 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: Ongoing Implementation



(Signature)

Assistant Superintendent

April 13, 2018



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CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Carol Deak
Contact Phone Number: 574-293-8583

Views of Responsible Official:

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

While Baugo 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 Baugo Community Schools relative to special education programs and related grants found no deficiencies related to the Cash Management compliance requirement.

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. Baugo Community Schools business office personnel and our Special Education Coordinator 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: Ongoing Implementation

(Signature)

Assistant Superintendent

April 13, 2018



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CORRECTIVE ACTION PLAN

FINDING 2016-007

Contact Person Responsible for Corrective Action: Carol Deak
Contact Phone Number: 574-293-8583

Views of Responsible Official:

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

While Baugo 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 Baugo Community Schools relative to special education programs and related grants found no deficiencies related to the Period of Performance compliance requirement.

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. Baugo Community Schools business office personnel and our Special Education Coordinator 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: Ongoing Implementation

(Signature)

Assistant Superintendent

April 13, 2018



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CORRECTIVE ACTION PLAN

FINDING 2016-008

Contact Person Responsible for Corrective Action: Carol Deak
Contact Phone Number: 574-293-8583

Views of Responsible Official:

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

While Baugo 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 Baugo Community Schools relative to special education programs and related grants found no deficiencies related to the Reporting compliance requirement.

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. Baugo Community Schools business office personnel and our Special Education Coordinator 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: Ongoing Implementation


(Signature)

Assistant Superintendent

April 13, 2018

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/>.