

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MITCHELL COMMUNITY SCHOOLS
LAWRENCE COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
12/29/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Malinda Powell	01-01-15 to 12-31-18
Superintendent of Schools	Dr. Steve E. Phillips	01-01-15 to 12-31-18
President of the School Board	Christopher Shaw	01-01-15 to 12-31-18



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MITCHELL COMMUNITY SCHOOLS, LAWRENCE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Mitchell Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, 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, 2015 to June 30, 2017.

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, 2015 to June 30, 2017, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 November 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

November 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 MITCHELL COMMUNITY SCHOOLS, LAWRENCE 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 Mitchell Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated November 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

November 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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MITCHELL COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2016 and 2017

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
General	\$ 2,964,922	\$ 11,024,355	\$ 10,670,597	\$ 12,784	\$ 3,331,464	\$ 10,739,160	\$ 10,635,298	\$ -	\$ 3,435,326
Debt Service	1,638,962	2,622,901	2,631,000	16,451	1,647,314	2,571,582	2,631,000	-	1,587,896
Capital Projects	800,433	1,453,536	974,303	(193,673)	1,085,993	1,446,458	1,152,288	(400,000)	980,163
School Transportation	312,543	1,083,170	857,699	5,279	543,293	1,089,941	863,607	(100,000)	669,627
School Bus Replacement	228,617	150,073	-	422	379,112	150,929	187,000	-	343,041
Rainy Day	3,098,171	37,805	1,604	201,265	3,335,637	2,400	99,925	(78,970)	3,159,142
School Lunch	249,316	630,125	641,234	-	238,207	614,615	596,040	-	256,782
Textbook Rental	(13,886)	157,016	371,815	-	(228,685)	168,994	496,065	578,970	23,214
Levy Excess	42,398	-	-	(42,398)	-	-	-	-	-
Educational License Plates	881	75	-	-	956	57	-	-	1,013
Alternative Education	6,239	634	-	-	6,873	644	-	-	7,517
SAFE School Haven	737	-	520	-	217	-	217	-	-
Early Intervention 2013-14	-	-	-	-	-	-	-	-	-
Early Intervention 2014-15	9,688	-	9,688	-	-	-	-	-	-
Early Intervention 2016	-	-	3,618	-	(3,618)	7,050	3,432	-	-
Early Intervention 16-17	-	-	-	-	-	8,658	7,958	-	700
School Intervention and Career Counseling	-	-	-	-	-	-	-	-	-
Comp Counseling Grant/Lilly	-	-	-	-	-	12,400	7,000	-	5,400
High Ability Grant 2013-14	-	-	-	-	-	-	-	-	-
High Ability Grant 2014-2015	-	-	-	-	-	-	-	-	-
High Ability Grant 15-16	-	33,200	33,108	-	92	-	92	-	-
High Ability Grant 16-17	-	-	-	-	-	33,130	33,130	-	-
Formative Assessment	-	-	-	-	-	20,095	20,095	-	-
Special Education Excess Costs	-	-	-	-	-	-	15,925	-	(15,925)
Secured Schools Safety Grant	(8,509)	8,509	-	-	-	-	-	-	-
School Technology	-	-	-	-	-	3,240	-	-	3,240
Career and Technical Performance Grant	-	-	-	-	-	1,703	-	-	1,703
Technology Planning Grant	-	-	24,400	-	(24,400)	28,650	4,250	-	-
PDK Cape Grant Hatfield	1,819	-	-	-	1,819	-	584	-	1,235
Excess PTRC Distributions	3,599	-	-	-	3,599	-	-	-	3,599
Chromebook/lpad Insurance	-	-	-	-	-	22,516	428	-	22,088
Title I 2013-14	-	-	-	-	-	-	-	-	-
Title I 2014-15	(138,449)	130,662	(7,787)	-	-	-	-	-	-
Title I 2015-2016	-	369,717	475,602	-	(105,885)	99,267	(6,618)	-	-
Title I Grant 2016-17	-	-	-	-	-	346,253	458,678	-	(112,425)
Title II Class Size Red 13-14	-	-	-	-	-	-	-	-	-
Title II Class Size Red 14-15	(21,170)	21,170	-	-	-	-	-	-	-
Title II Class Size Red 15-16	-	46,139	70,568	-	(24,429)	30,717	6,288	-	-
Title II Grant 16-17	-	-	-	-	-	17,289	37,160	-	(19,871)
Rural Schools and Low Income Program - Pass Through State	-	-	-	-	-	-	-	-	-
Rural Education Grant 14-15	(722)	-	(722)	-	-	-	-	-	-
Rural Education Grant 15-16	(429)	25,756	29,589	-	(4,262)	9,168	4,906	-	-
Prepaid Food Trust	-	2,011	-	-	2,011	219	-	-	2,230
Payroll Withholdings	56,554	2,633,684	2,658,668	-	31,570	2,669,597	2,637,980	-	63,187
Totals	\$ 9,231,714	\$ 20,430,538	\$ 19,445,504	\$ 130	\$ 10,216,878	\$ 20,094,732	\$ 19,892,728	\$ -	\$ 10,418,882

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

MITCHELL 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.

MITCHELL 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.

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

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.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Transfers out. Amounts paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Negative Disbursements

The financial statement contains some disbursements which appear as negative entries. This is a result of corrections of posting errors from the prior period.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants or state reimbursements. The reimbursement for expenditures made by the School Corporation was not received by June 30. In addition, the Textbook Rental fund had a deficit balance caused by disbursements exceeding receipts during the prior audit period and the first year of the current audit period.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Holding Corporations

The School Corporation has entered into two capital leases with Mitchell High School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2016 and 2017 totaled \$1,916,000 and \$1,916,000, respectively.

The School Corporation has entered into a capital lease with Mitchell Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2016 and 2017 totaled \$715,000 and \$715,000, respectively.

Note 10. Other Postemployment Benefits

The School Corporation provides the following benefits to one eligible retiree and his or her spouse: eligibility to remain on group health, vision, and dental plans until the retiree reaches the age of eligibility for Medicare. The retiree receives a contribution from the School Corporation (single plan amount only) towards health insurance that was in effect at the time of the his or her retirement. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding these 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.

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 2,964,922	\$ 1,638,962	\$ 800,433	\$ 312,543	\$ 228,617	\$ 3,098,171	\$ 249,316	\$ (13,886)	\$ 42,398
Receipts:									
Local sources	92,623	2,622,901	1,452,236	1,083,045	150,073	-	189,503	87,383	-
Intermediate sources	19	-	-	-	-	-	-	-	-
State sources	10,930,801	-	-	-	-	-	-	67,236	-
Federal sources	-	-	-	-	-	-	440,072	-	-
Other receipts	912	-	1,300	125	-	37,805	550	2,397	-
Total receipts	11,024,355	2,622,901	1,453,536	1,083,170	150,073	37,805	630,125	157,016	-
Disbursements:									
Instruction	7,359,336	-	-	-	-	-	-	-	-
Support services	3,305,674	-	821,857	857,699	-	1,604	856	367,443	-
Noninstructional services	-	-	-	-	-	-	640,378	-	-
Facilities acquisition and construction	4,111	-	152,446	-	-	-	-	-	-
Debt service	1,476	2,631,000	-	-	-	-	-	4,372	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	10,670,597	2,631,000	974,303	857,699	-	1,604	641,234	371,815	-
Excess (deficiency) of receipts over disbursements	353,758	(8,099)	479,233	225,471	150,073	36,201	(11,109)	(214,799)	-
Other financing sources (uses):									
Sale of capital assets	130	-	-	-	-	-	-	-	-
Transfers in	12,654	16,451	6,327	5,279	422	201,265	-	-	-
Transfers out	-	-	(200,000)	-	-	-	-	-	(42,398)
Total other financing sources (uses)	12,784	16,451	(193,673)	5,279	422	201,265	-	-	(42,398)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	366,542	8,352	285,560	230,750	150,495	237,466	(11,109)	(214,799)	(42,398)
Cash and investments - ending	\$ 3,331,464	\$ 1,647,314	\$ 1,085,993	\$ 543,293	\$ 379,112	\$ 3,335,637	\$ 238,207	\$ (228,685)	\$ -

MITCHELL 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

	Educational License Plates	Alternative Education	SAFE School Haven	Early Intervention 2013-14	Early Intervention 2014-15	Early Intervention 2016	Early Intervention 16-17	School Intervention and Career Counseling	Camp Counseling Grant/Lilly
Cash and investments - beginning	\$ 881	\$ 6,239	\$ 737	\$ -	\$ 9,688	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	75	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	634	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	75	634	-	-	-	-	-	-	-
Disbursements:									
Instruction	-	-	520	-	9,688	3,618	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	520	-	9,688	3,618	-	-	-
Excess (deficiency) of receipts over disbursements	75	634	(520)	-	(9,688)	(3,618)	-	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	75	634	(520)	-	(9,688)	(3,618)	-	-	-
Cash and investments - ending	\$ 956	\$ 6,873	\$ 217	\$ -	\$ -	\$ (3,618)	\$ -	\$ -	\$ -

MITCHELL 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 Grant 2013-14	High Ability Grant 2014-2015	High Ability Grant 15-16	High Ability Grant 16-17	Formative Assessment	Special Education Excess Costs	Secured Schools Safety Grant	School Technology	Career and Technical Performance Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(8,509)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	33,200	-	-	-	8,509	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	33,200	-	-	-	8,509	-	-
Disbursements:									
Instruction	-	-	33,108	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	33,108	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	92	-	-	-	8,509	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	92	-	-	-	8,509	-	-
Cash and investments - ending	\$ -	\$ -	\$ 92	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MITCHELL 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

	Technology Planning Grant	PDK Cape Grant Hatfield	Excess PTRC Distributions	Chromebook/Ipad Insurance	Title I 2013-14	Title I 2014-15	Title I 2015-2016	Title I Grant 2016-17	Title II Class Size Red 13-14
Cash and investments - beginning	\$ -	\$ 1,819	\$ 3,599	\$ -	\$ -	\$ (138,449)	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	130,662	369,717	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	130,662	369,717	-	-
Disbursements:									
Instruction	-	-	-	-	-	(7,787)	375,358	-	-
Support services	24,400	-	-	-	-	-	100,244	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	24,400	-	-	-	-	(7,787)	475,602	-	-
Excess (deficiency) of receipts over disbursements	(24,400)	-	-	-	-	138,449	(105,885)	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(24,400)	-	-	-	-	138,449	(105,885)	-	-
Cash and investments - ending	\$ (24,400)	\$ 1,819	\$ 3,599	\$ -	\$ -	\$ -	\$ (105,885)	\$ -	\$ -

MITCHELL 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 Class Size Red 14-15	Title II Class Size Red 15-16	Title II Grant 16-17	Rural Schools and Low Income Program - Pass Through State	Rural Education Grant 14-15	Rural Education Grant 15-16	Prepaid Food Trust	Payroll Withholdings	Totals
Cash and investments - beginning	\$ (21,170)	\$ -	\$ -	\$ -	\$ (722)	\$ (429)	\$ -	\$ 56,554	\$ 9,231,714
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,677,839
Intermediate sources	-	-	-	-	-	-	-	-	19
State sources	-	-	-	-	-	-	-	-	11,040,380
Federal sources	21,170	46,139	-	-	-	25,756	-	-	1,033,516
Other receipts	-	-	-	-	-	-	2,011	2,633,684	2,678,784
Total receipts	21,170	46,139	-	-	-	25,756	2,011	2,633,684	20,430,538
Disbursements:									
Instruction	-	70,568	-	-	(722)	29,589	-	-	7,873,276
Support services	-	-	-	-	-	-	-	-	5,479,777
Noninstructional services	-	-	-	-	-	-	-	-	640,378
Facilities acquisition and construction	-	-	-	-	-	-	-	-	156,557
Debt service	-	-	-	-	-	-	-	-	2,636,848
Nonprogrammed charges	-	-	-	-	-	-	-	2,658,668	2,658,668
Total disbursements	-	70,568	-	-	(722)	29,589	-	2,658,668	19,445,504
Excess (deficiency) of receipts over disbursements	21,170	(24,429)	-	-	722	(3,833)	2,011	(24,984)	985,034
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	130
Transfers in	-	-	-	-	-	-	-	-	242,398
Transfers out	-	-	-	-	-	-	-	-	(242,398)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	130
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	21,170	(24,429)	-	-	722	(3,833)	2,011	(24,984)	985,164
Cash and investments - ending	\$ -	\$ (24,429)	\$ -	\$ -	\$ -	\$ (4,262)	\$ 2,011	\$ 31,570	\$ 10,216,878

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 3,331,464	\$ 1,647,314	\$ 1,085,993	\$ 543,293	\$ 379,112	\$ 3,335,637	\$ 238,207	\$ (228,685)	\$ -
Receipts:									
Local sources	111,275	2,571,582	1,442,302	1,089,871	150,929	-	175,900	104,750	-
Intermediate sources	32	-	-	-	-	-	-	-	-
State sources	10,614,307	-	-	-	-	-	-	61,215	-
Federal sources	-	-	-	-	-	-	438,315	-	-
Other receipts	13,546	-	4,156	70	-	2,400	400	3,029	-
Total receipts	10,739,160	2,571,582	1,446,458	1,089,941	150,929	2,400	614,615	168,994	-
Disbursements:									
Instruction	7,332,617	-	-	-	-	-	-	-	-
Support services	3,300,273	-	903,444	863,607	187,000	-	419	492,356	-
Noninstructional services	-	-	-	-	-	-	595,621	-	-
Facilities acquisition and construction	-	-	248,844	-	-	99,925	-	-	-
Debt service	2,408	2,631,000	-	-	-	-	-	3,709	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	10,635,298	2,631,000	1,152,288	863,607	187,000	99,925	596,040	496,065	-
Excess (deficiency) of receipts over disbursements	103,862	(59,418)	294,170	226,334	(36,071)	(97,525)	18,575	(327,071)	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	500,000	-	578,970	-
Transfers out	-	-	(400,000)	(100,000)	-	(578,970)	-	-	-
Total other financing sources (uses)	-	-	(400,000)	(100,000)	-	(78,970)	-	578,970	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	103,862	(59,418)	(105,830)	126,334	(36,071)	(176,495)	18,575	251,899	-
Cash and investments - ending	\$ 3,435,326	\$ 1,587,896	\$ 980,163	\$ 669,627	\$ 343,041	\$ 3,159,142	\$ 256,782	\$ 23,214	\$ -

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2017

	Educational License Plates	Alternative Education	SAFE School Haven	Early Intervention 2013-14	Early Intervention 2014-15	Early Intervention 2016	Early Intervention 16-17	School Intervention and Career Counseling	Camp Counseling Grant/Lilly
Cash and investments - beginning	\$ 956	\$ 6,873	\$ 217	\$ -	\$ -	\$ (3,618)	\$ -	\$ -	\$ -
Receipts:									
Local sources	57	-	-	-	-	-	-	-	12,400
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	644	-	-	-	7,050	8,658	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	57	644	-	-	-	7,050	8,658	-	12,400
Disbursements:									
Instruction	-	-	217	-	-	3,432	7,958	-	-
Support services	-	-	-	-	-	-	-	-	7,000
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	217	-	-	3,432	7,958	-	7,000
Excess (deficiency) of receipts over disbursements	57	644	(217)	-	-	3,618	700	-	5,400
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	57	644	(217)	-	-	3,618	700	-	5,400
Cash and investments - ending	\$ 1,013	\$ 7,517	\$ -	\$ -	\$ -	\$ -	\$ 700	\$ -	\$ 5,400

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	High Ability Grant 2013-14	High Ability Grant 2014-2015	High Ability Grant 15-16	High Ability Grant 16-17	Formative Assessment	Special Education Excess Costs	Secured Schools Safety Grant	School Technology	Career and Technical Performance Grant
Cash and investments - beginning	\$ -	\$ -	\$ 92	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	33,130	20,095	-	-	3,240	281
Federal sources	-	-	-	-	-	-	-	-	1,422
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	33,130	20,095	-	-	3,240	1,703
Disbursements:									
Instruction	-	-	92	33,130	-	-	-	-	-
Support services	-	-	-	-	20,095	15,925	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	92	33,130	20,095	15,925	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	(92)	-	-	(15,925)	-	3,240	1,703
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(92)	-	-	(15,925)	-	3,240	1,703
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (15,925)	\$ -	\$ 3,240	\$ 1,703

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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	Technology Planning Grant	PDK Cape Grant Hatfield	Excess PTRC Distributions	Chromebook/Ipad Insurance	Title I 2013-14	Title I 2014-15	Title I 2015-2016	Title I Grant 2016-17	Title II Class Size Red 13-14
Cash and investments - beginning	\$ (24,400)	\$ 1,819	\$ 3,599	\$ -	\$ -	\$ -	\$ (105,885)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	22,516	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	28,650	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	99,267	346,253	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	28,650	-	-	22,516	-	-	99,267	346,253	-
Disbursements:									
Instruction	-	-	-	-	-	-	(5,018)	293,370	-
Support services	4,250	584	-	428	-	-	(1,600)	165,308	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	4,250	584	-	428	-	-	(6,618)	458,678	-
Excess (deficiency) of receipts over disbursements	24,400	(584)	-	22,088	-	-	105,885	(112,425)	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	24,400	(584)	-	22,088	-	-	105,885	(112,425)	-
Cash and investments - ending	\$ -	\$ 1,235	\$ 3,599	\$ 22,088	\$ -	\$ -	\$ -	\$ (112,425)	\$ -

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Title II Class Size Red 14-15	Title II Class Size Red 15-16	Title II Grant 16-17	Rural Schools and Low Income Program - Pass Through State	Rural Education Grant 14-15	Rural Education Grant 15-16	Prepaid Food Trust	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (24,429)	\$ -	\$ -	\$ -	\$ (4,262)	\$ 2,011	\$ 31,570	\$ 10,216,878
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,681,582
Intermediate sources	-	-	-	-	-	-	-	-	32
State sources	-	-	-	-	-	-	-	-	10,777,270
Federal sources	-	30,717	17,289	-	-	9,168	-	-	942,431
Other receipts	-	-	-	-	-	-	219	2,669,597	2,693,417
Total receipts	-	30,717	17,289	-	-	9,168	219	2,669,597	20,094,732
Disbursements:									
Instruction	-	6,288	37,160	-	-	4,906	-	-	7,714,152
Support services	-	-	-	-	-	-	-	-	5,959,089
Noninstructional services	-	-	-	-	-	-	-	-	595,621
Facilities acquisition and construction	-	-	-	-	-	-	-	-	348,769
Debt service	-	-	-	-	-	-	-	-	2,637,117
Nonprogrammed charges	-	-	-	-	-	-	-	2,637,980	2,637,980
Total disbursements	-	6,288	37,160	-	-	4,906	-	2,637,980	19,892,728
Excess (deficiency) of receipts over disbursements	-	24,429	(19,871)	-	-	4,262	219	31,617	202,004
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	1,078,970
Transfers out	-	-	-	-	-	-	-	-	(1,078,970)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	24,429	(19,871)	-	-	4,262	219	31,617	202,004
Cash and investments - ending	\$ -	\$ -	\$ (19,871)	\$ -	\$ -	\$ -	\$ 2,230	\$ 63,187	\$ 10,418,882

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MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 400,388</u>	<u>\$ 2,413,956</u>

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Mitchell Elementary School Building Corporation	Lease Elementary Building	\$ 715,000	7/15/2009	7/15/2019
Mitchell High School Building Corporation	Refinanced 2005A	546,000	7/15/2013	7/15/2027
Mitchell High School Building Corporation	Refinanced 2005B	<u>1,370,000</u>	6/30/2015	12/31/2023
Total governmental activities		<u>2,631,000</u>		
Total of annual lease payments		<u><u>\$ 2,631,000</u></u>		

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF CAPITAL ASSETS
June 30, 2017

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	\$ 1,989,811
Buildings	37,598,002
Improvements other than buildings	3,082,302
Machinery, equipment, and vehicles	<u>3,931,421</u>
Total governmental activities	<u>46,601,536</u>
Total capital assets	<u>\$ 46,601,536</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE MITCHELL COMMUNITY SCHOOLS, LAWRENCE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Mitchell Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001, 2017-002, 2017-003, and 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001, 2017-002, 2017-003, 2017-004, and 2017-005, that we consider to be material weaknesses.

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

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

November 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.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2016 and 2017

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 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education						
School Breakfast		10.553	FY2016	\$ -	\$ 95,940	\$ -	\$ -
School Breakfast		10.553	FY2017	-	-	-	94,693
Total - School Breakfast Program				-	95,940	-	94,693
National School Lunch Program	Indiana Department of Education						
School Lunch		10.555	FY2016	-	339,389	-	-
		10.555	FY2017	-	-	-	338,748
National School Lunch Program Commodities	Indiana Department of Education						
School Lunch		10.555	FY2016	-	45,839	-	-
School Lunch		10.555	FY2017	-	-	-	54,037
Total - National School Lunch Program				-	385,228	-	392,785
Total - Child Nutrition Cluster				-	481,168	-	487,478
Total - Department of Agriculture				-	481,168	-	487,478
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education						
Special Education		84.027	14214-049-PN01	-	70,151	-	-
Special Education		84.027	14215-049-PN01	-	103,757	-	70,857
Special Education		84.027	14216-049-PN01	-	199,707	-	112,343
Special Education		84.027	14217-049-PN01	-	-	-	204,645
Special Education		84.027	99914-049-TA01	-	79	-	-
Total - Special Education_Grants to States				-	373,694	-	387,845
Special Education_Preschool Grants	Indiana Department of Education						
Special Education		84.173	45715-049-PN01	-	6,968	-	501
Special Education		84.173	45716-049-PN01	-	9,038	-	8,416
Special Education		84.173	45717-049-PN01	-	-	-	7,503
Total - Special Education_Preschool Grants				-	16,006	-	16,420
Total - Special Education Cluster (IDEA)				-	389,700	-	404,265

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2016 and 2017

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 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I		84.010	FY2015	-	162,846	-	-
Title I		84.010	FY2016	-	337,533	-	99,267
Title I		84.010	FY2017	-	-	-	346,253
Total - Title I Grants to Local Educational Agencies				-	500,379	-	445,520
Rural Education	Indiana Department of Education						
Title VI Rural & Low Income		84.358	FY2016	-	25,756	-	-
Title VI Rural & Low Income		84.358	FY2017	-	-	-	9,169
Total - Rural Education				-	25,756	-	9,169
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education						
Title II		84.367	FY2016	-	67,309	-	30,717
Title II		84.367	FY2017	-	-	-	17,289
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	67,309	-	48,006
Total - Department of Education				-	983,144	-	906,960
Total federal awards expended				\$ -	\$ 1,464,312	\$ -	\$ 1,394,438

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

MITCHELL 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, 2016 and 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of the Orange-Lawrence-Jackson-Martin-Greene Joint Services Special Education Cooperative (Cooperative) which operates the Special Education program for the School Corporation. As a result, activity for the Special Education Cluster (IDEA) that is presented on the Schedule of Expenditures of Federal Awards is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies	Unmodified Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-001

Subject: Child Nutrition Cluster - Cash Management
 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): FY2016, FY2017
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Cash Management
 Audit Findings: Material Weakness, Other Matter

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

Repeat Finding

This is a repeat finding from the immediately prior year. The prior year finding number was 2015-004.

Condition

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in compliance with cash management requirements. There was no oversight, review, or monitoring of the cash balances.

The School Corporation's cash balance (net cash resources) exceeded the 3 months average expenditures by an average of \$31,993 and \$57,758, per month, in fiscal year 2015-2016 and fiscal year 2016-2017, respectively.

Context

The lack of controls was a systemic problem throughout the audit period. The cash balances (net cash resources) of the School Lunch fund was greater than the three months average expenditures for all 24 months during the audit period.

Criteria

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). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

- (iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

The School Corporation's management had not designed or implemented an effective internal control system that would have ensured compliance with the cash management requirements.

MITCHELL 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. Noncompliance with the grant agreement and the cash management requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective internal control system to ensure compliance and comply with the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-002

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
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): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

Procurement

The School Corporation had not established effective controls to ensure that the purchasing method used complied with 2 CFR 200.320.

The School Corporation did not always retain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures.

Suspension and Debarment

The School Corporation had not established an effective internal control system to ensure compliance with suspension and debarment requirements.

The School Corporation did not perform any procedures to verify that two vendors were not suspended or debarred from participation in federal programs before entering into a contract.

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

Context

This was a systemic problem throughout the audit period.

Criteria

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). . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . ."

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the procurement and suspension and debarment requirements.

Effect

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

MITCHELL 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 and comply with the Procurement and Suspension and Debarment compliance requirements.

Views of Responsible Officials

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

FINDING 2017-003

Subject: Child Nutrition Cluster - Reporting

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): FY2016, FY2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matter

Repeat Finding

This is a repeat finding from the immediately prior year. The prior year finding numbers were 2015-003 and 2015-008.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with reporting requirements related to the Child Nutrition Cluster. The Food Services Director completed the monthly Sponsor Claims Forms, the Annual Financial Report, and the School Food Service Authority (SFA) Verification Collection Reports for both years. There were no segregation of duties, such as an oversight, review, or approval process to ensure that the required reports were accurately prepared.

The School Corporation filed the required NSLP Annual Financial Report (AFR) for both years under audit. However, the Income Total reported for fiscal year 2017 did not agree to the income per the School Corporation's ledger and records. Total expenses for both years did not agree to the expenses, per the School Corporation's ledger and records. Additionally, the beginning and ending fiscal year 2016 balances did not agree to the fund balances shown in the ledger.

Context

This was a systemic problem as two AFRs were filed during the audit period but amounts reported did not agree to the School Corporation's ledgers. The cash and investment balance was corrected by the end of the audit period.

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

Criteria

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). . . ."

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. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Reporting compliance requirement.

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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and comply with the grant agreement and the reporting compliance requirement.

Views of Responsible Officials

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

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

FINDING 2017-004

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Number and Year (or Other Identifying Number): FY2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior year. The prior year finding number 2015-003.

Condition

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the paid lunch equity calculations. The Food Service Director completed the calculations without a documented oversight or review process.

Context

The lack of controls was a systemic issue during fiscal year 2016. Beginning in fiscal year 2016, the Assistant Superintendent of Schools reviewed the paid lunch equity calculation.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirement listed above.

Effect

The failure to establish an effective internal control system places 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 also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

MITCHELL 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 grant agreement and compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2017-005

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rates
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Number): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rates
Audit Findings: Material Weakness, Other Matter

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 Special Tests and Provisions - Annual Report Card, High School Graduation Rates compliance requirement. Supporting documentation was not consistently maintained for the students who were removed from the graduation cohort.

Context

For one of the four students selected to be examined who were removed from the graduation cohort, evidence of oversight and review was not provided and the required supporting documentation was not maintained.

Criteria

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). . . ."

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

34 CFR 200.19(b)(1)(ii)(B) states in part:

"To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

- (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which 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.

Dr. Steve E. Phillips
SUPERINTENDENT

Phillip Storm
ASSISTANT SUPERINTENDENT

Malinda Powell
TREASURER

Debbie Arthur
SECY. TO BOARD/
DEPUTY TREASURER

Sherry Burkett
BENEFITS/SECRETARY

Mitchell Community Schools

441 North 8th Street • Mitchell, Indiana 47446
Phone 812-849-4481 • Fax 812-849-2133

BOARD OF TRUSTEES

Cynthia L. Brooking

Steve Burton

Crystal D. Mikels

Patrick Redman

Christopher S. Shaw

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-001

Fiscal year in which the finding initially occurred: July 1, 2013 – June 30, 2015

Contact Person Responsible for Corrective Action: Malinda Powell, Treasurer

Status of Audit Finding:

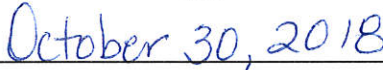
The Annual Financial Report is prepared and entered by the MCS Treasurer and starting July 2017, the Assistant Superintendent reviews it and signs off before the report is submitted.



Signature



Title



Date

Dr. Steve E. Phillips
SUPERINTENDENT

Phillip Storm
ASSISTANT SUPERINTENDENT

Malinda Powell
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-002

Fiscal year in which the finding initially occurred: July 1, 2013 – June 30, 2015

Contact Person Responsible for Corrective Action: Malinda Powell, Treasurer

Status of Audit Finding:

As was prior to the finding the Superintendent is given a copy of the end of the month Fund, Revenue and Appropriation Report for his information. Beginning July, 2015 the Superintendent now signs off on one copy of the month end Revenue Report.



Signature

Treasurer

Title

October 12, 2018

Date

**MITCHELL COMMUNITY SCHOOLS
SCHOOL FOOD SERVICES**

Dr. Steve E. Phillips
Superintendent

Phillip Storm
Asst. Superintendent

1000 Bishop Blvd.
Mitchell, Indiana 47446
Phone 812-849-3663
Fax 812-849-5368

Alda L. McIntosh
Director of Food Services

Christina L. Brown
Extra-Curricular Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2015- 003

Fiscal year in which the finding initially occurred: July 1, 2013 –June 30, 2015

Indiana Dept. of Education

Contact Person Responsible for Corrective Action: Alda L. McIntosh

Status of Audit Finding:

We established controls, including segregation of duties, related to the compliance requirements. Spreadsheets were created to allow for signatures of the appropriate officials to indicate timely compliance for Cash Balance Management, Eligibility, Equipment Inventory, Program Income, Reporting and Paid Lunch Equity. Date of implementation was July 1, 2017.



Signature

Food Service Director

Title

10/12/18

Date

**MITCHELL COMMUNITY SCHOOLS
SCHOOL FOOD SERVICES**

Dr. Steve E. Phillips
Superintendent

Phillip Storm
Asst. Superintendent

1000 Bishop Blvd.
Mitchell, Indiana 47446
Phone 812-849-3663
Fax 812-849-5368

Alda L. McIntosh
Director of Food Services

Christina L. Brown
Extra-Curricular Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2015- 004

Fiscal year in which the finding initially occurred: July 1, 2013 –June 30, 2015

Indiana Dept. of Education

Contact Person Responsible for Corrective Action: Alda L. McIntosh, Superintendent and/or Treasurer

Status of Audit Finding:

The Mitchell Community Schools Food Service Director (FSD) and the superintendent continually review the cash balance in the School Lunch Fund and comply with the cash management requirements. Additionally, as an internal control, the FSD maintained a document indicating the target 3 month figures and monthly totals. This report included PrePaid Food Totals, so as to not include these funds as available for cafeteria spending. This document was reviewed and signed by the FSD and the corporation treasurer each month. Related food service items purchased to meet the limits of the fund include cafeteria seats for Burris, cafeteria informational and motivational signage in all 3 cafeterias, and a large "Skittle" oven for Burris. Other school related purchases are being considered. Date of implementation was July 1, 2017.


Signature

Food Service Director
Title

10/12/18
Date

MITCHELL COMMUNITY SCHOOLS

SCHOOL FOOD SERVICES

Dr. Steve E. Phillips
Superintendent

Phillip Storm
Asst. Superintendent

1000 Bishop Blvd.
Mitchell, Indiana 47446
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Fax 812-849-5368

Alda L. McIntosh
Director of Food Services

Christina L. Brown
Extra-Curricular Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2015- 005

Fiscal year in which the finding initially occurred: July 1, 2013 –June 30, 2015

Indiana Dept. of Education

Contact Person Responsible for Corrective Action: Alda L. McIntosh

Status of Audit Finding:

We developed internal controls and implemented procedures to ensure compliance with the Eligibility requirement.

A copy of the letter sent to applicants who were denied meal-textbook benefits was stapled directly to the application. A document was created by the Food Service Director, FSD, listing the applications that were denied. As an internal control, the café manager signed this document, which was retained for audit purposes.

To ensure that Eligibility determinations were made correctly, a random selection of 20 applications were reviewed and documented as accurate by the FSD. An indication of this process was marked directly on the application. Further, a list of these applications was reviewed/signed by the assistant superintendent and is available for review.

The eligibility criteria has been loaded onto the school corporation website through Harmony and is updated each school year. The information is available in several formats, including paper forms in each school office, electronically on the school website, and is available at registration and anytime through the year for all students. Additionally, the school menus, which are distributed to students and posted at all buildings and on the website, offer encouragement to file a free meal application if interested.

Date of implementation was July 1, 2017.



Signature

Food Service Director

Title

10/2/18

Date

**MITCHELL COMMUNITY SCHOOLS
SCHOOL FOOD SERVICES**

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Superintendent

Phillip Storm
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Alda L. McIntosh
Director of Food Services

Christina L. Brown
Extra-Curricular Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2015- 006

Fiscal year in which the finding initially occurred: July 1, 2013 –June 30, 2015

Indiana Dept. of Education

Contact Person Responsible for Corrective Action: Alda L. McIntosh

Status of Audit Finding:

The corporation prepared and maintained an updated, accurate property record, including information on dispositions of property. Inventories of equipment were reconciled in June 2018. Additionally, any equipment acquired with federal funds was designated on the document as such so that it would not be disposed of improperly. This document is maintained by the Food Service Director and reviewed/signed by the head of maintenance or the building principal. Date of implementation was July 1, 2017.

Alda L McIntosh

Signature

Food Service Director

Title

10/12/18

Date

**MITCHELL COMMUNITY SCHOOLS
SCHOOL FOOD SERVICES**

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Superintendent

Phillip Storm
Asst. Superintendent

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Alda L. McIntosh
Director of Food Services

Christina L. Brown
Extra-Curricular Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2015- 007

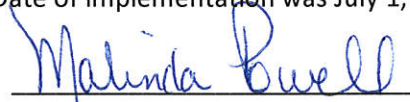
Fiscal year in which the finding initially occurred: July 1, 2013 –June 30, 2015

Indiana Dept. of Education

Contact Person Responsible for Corrective Action: Malinda Powell

Status of Audit Finding:

Once it was discovered how to document the Prepaid Food Trust, PPFT, Mrs. Powell immediately began recording the PPFT information as required. Online receipts and daily cafeteria receipts are now receipted into PPFT Fund and then transferred to the proper cafeteria accounts as reported to Treasurer at the end of the month by the Food Service Director. Date of implementation was July 1, 2017.



Signature

Treasurer

Title

October 30, 2018

Date

**MITCHELL COMMUNITY SCHOOLS
SCHOOL FOOD SERVICES**

Dr. Steve E. Phillips
Superintendent

Phillip Storm
Asst. Superintendent

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Alda L. McIntosh
Director of Food Services

Christina L. Brown
Extra-Curricular Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2015- 008

Fiscal year in which the finding initially occurred: July 1, 2013 –June 30, 2015

Indiana Dept. of Education

Contact Person Responsible for Corrective Action: Alda L. McIntosh

Status of Audit Finding:

All source documentation used to accurately create and submit the Annual Financial Report, Verification Report and monthly Sponsor Claim Summary is available and maintained by the Food Service Director. As an internal control system and as a segregation of duties, a document was reviewed/signed by the assistant superintendent monthly for the Sponsor Claims and annually for the Annual Financial Report and Verification Reports indicating his review. Date of implementation was July 1, 2017.

Alda L. McIntosh

Signature

Food Service Director

Title

10/12/18

Date

MITCHELL COMMUNITY SCHOOLS

SCHOOL FOOD SERVICES

Dr. Steve E. Phillips
Superintendent

Phillip Storm
Asst. Superintendent

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Alda L. McIntosh
Director of Food Services

Christina L. Brown
Extra-Curricular Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2015- 009

Fiscal year in which the finding initially occurred: July 1, 2013 –June 30, 2015

Indiana Dept. of Education

Contact Person Responsible for Corrective Action: Alda L. McIntosh

Status of Audit Finding:

Paid Lunch Equity calculations have been retained for the last three (3) years and are available for review. This report and calculation tool has been added to the list of documents reviewed/acknowledged by the assistant superintendent. Date of implementation was July 1, 2017.



Signature

Food Service Director

Title

10/12/18

Date

MITCHELL COMMUNITY SCHOOLS

SCHOOL FOOD SERVICES

Dr. Steve E. Phillips
Superintendent

Phillip Storm
Asst. Superintendent

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Alda L. McIntosh
Director of Food Services

Finding 2017-001 Corrective Action Plan

The school corporation established an internal control, including segregation of duties, that ensured compliance with the cash management requirements. This control is in place and has been operating since July 1, 2017. See attached spreadsheet.

Responsible officials: Food Service Director and Corporation Treasurer

Effective date: July 1, 2017

Finding 2017-002 Corrective Action Plan

In order to verify that the people/company with whom Mitchell Community Schools (MCS) intends to do business with are not excluded or disqualified, MCS corporation's management will establish an internal control to ensure compliance with the Procurement and Suspension and Debarment requirement. See attached spreadsheet.

Responsible officials: Food Service Director and Superintendent or Asst. Superintendent

Effective date: July 1, 2018

Finding 2017-003 Corrective Action Plan

The Annual Financial Report was reconciled beginning July 1, 2017. Internal controls have been implemented to ensure compliance with the reporting requirements. See attached spreadsheet.

Responsible officials: Food Service Director and Corporation Treasurer and Asst. Superintendent

Effective date: July 1, 2017

Finding 2017-004 Corrective Action Plan

The Paid Lunch Equity calculations are reviewed and documented by the Asst. Superintendent. See attached spreadsheet.

Responsible officials: Food Service Director and Asst. Superintendent

Effective date: May 2016 for SY 2016-17.

Contact: Alda McIntosh

812-849-3663



2017-001 - Tread & FSD
 aware of
 total balance
 AVAILABLE balance

(Linnie)

Cafeteria

CASH BALANCE					Monthly
Date : School Year		<u>2017-18</u>			
Previous year expenditures		\$ SEE ATTACHED			
Divide by 10 months					
Target monthly balance		\$ RANGE BETWEEN \$182,644.80 to \$217,724.31			
Date	Balance	PPFT	Available Balance	FSD	Treasurer
July	\$ 251,921.36	\$ 3544.98	\$ 248,376.38	adm	MP
Aug	\$ 253,976.82	\$ 8,207.91	\$ 245,768.91	adm	MP
Sept	\$ 208,861.42	\$ 27,642.81	\$ 181,218.61	adm	MP
Oct	\$ 222,463.06	\$ 6,671.79	\$ 215,791.27	adm	MP
Nov	\$ 219,150.09	\$ 7,148.53	\$ 212,001.56	adm	MP
Dec	\$ 206,795.88	\$ 6,617.42	\$ 200,178.46	adm	MP
Jan	\$ 219,509.40	\$ 6,720.21	\$ 212,789.19	adm	MP
Feb	\$ 226,993.75	\$ 7,164.77	\$ 219,828.98	adm	MP
Mar	\$ 220,116.49	\$ 7,340.50	\$ 212,775.99	adm	MP
Apr	\$ 212,546.03	\$ 6,365.50	\$ 206,180.53	adm	MP
May	\$ 216,165.71	\$ 2,988.60	\$ 213,177.11	adm	MP
JUNE	\$ 207,097.82	\$ 2,988.60	\$ 204,109.22	adm	MP

~~MP~~ →

This figure lowered with
 A \$20K purchase in July 2018.
 (DESCON
 couldn't
 apply till
 kids went out of
 school)
 - adm

ANNUAL FINANCIAL REPORT

Annual before Sept 1

(AFR)

Date : School Year for SY 2016-17

AFR Filed date

Filed by FSD

Reviewed by

Asst Super

Date received

by Asst. Super

8/7/17

Alda Zmitchal

RCS

8-7-17

*Approved By TINA HERZOG 11/8/2017

FINDING

2017-003

Dr. Steve E. Phillips
SUPERINTENDENT

Phillip Storm
ASSISTANT SUPERINTENDENT

Malinda Powell
TREASURER

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Mitchell Community Schools Corrective Action Plan for Audit Fall, 2018

Finding 2017-005:

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 Special Tests and Provisions - Annual Report Card, High School Graduation Rates compliance requirement. Supporting documentation was not consistently maintained for the students who were removed from the graduation cohort.

Recommendation:

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Corrective Action Plan:

The High School Principal or designee will list each student who indicates that they are transferring as a drop out in the Harmony database until such time as proper documentation arrives from the receiving school as a transfer. Only at that time will the Harmony database be changed to reflect the transfer.

The High School Principal will direct the high school counselors to serve as a double check each student listed as a drop out or a transfer to insure proper documentation and will correct any issues.

Anticipated Completion Date:

Already addressed and the corrective action plan is in place. This was implemented July 1, 2018 with the new HS Principal.

Contact person:

Phil Storm



812-849-4481

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/>.