

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MILAN COMMUNITY SCHOOLS
RIPLEY COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
01/11/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Gretchen Berger	07-01-14 to 06-30-19
Superintendent of Schools	Paul Ketcham Jane Rogers	07-01-13 to 12-31-16 01-01-17 to 06-30-21
President of the School Board	Timothy Tuttle Gregory Lewis Jason Honeycutt Ted Amberger Douglas Norman	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MILAN COMMUNITY SCHOOLS, RIPLEY COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, 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 26, 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 26, 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 MILAN COMMUNITY SCHOOLS, RIPLEY 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 Milan Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated November 26, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a 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 the 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002, that we consider to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002.

Milan Community Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

November 26, 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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MILAN COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments		Other Financing		Cash and Investments		Other Financing		Cash and Investments	
	07-01-14	Receipts	Disbursements	Sources (Uses)	06-30-15	Receipts	Disbursements	Sources (Uses)	06-30-16	
General	\$ 468,202	\$ 7,487,766	\$ 7,551,918	\$ -	\$ 404,050	\$ 7,346,424	\$ 7,436,725	\$ -	\$ 313,749	
Debt Service	515,348	933,183	802,868	-	645,663	929,687	840,403	-	734,947	
Capital Projects	14,712	709,439	709,106	-	15,045	696,099	592,802	-	118,342	
School Transportation	545,310	879,280	770,890	(130,000)	523,700	874,526	790,787	(150,000)	457,439	
School Bus Replacement	173,511	263,109	84,091	(8,400)	344,129	264,873	(91)	-	609,093	
Rainy Day	795,675	-	359,619	138,400	574,456	28,294	125,501	150,000	627,249	
School Lunch	344,192	621,511	629,745	-	335,958	590,755	673,819	-	252,894	
Textbook Rental	155,383	151,180	165,488	-	141,075	142,018	327,737	-	(44,644)	
Levy Excess	-	53	-	-	53	-	-	-	53	
ROD Local Services	-	167,492	200,659	-	(33,167)	209,917	190,357	-	(13,607)	
Educational License Plates	4,162	206	-	-	4,368	319	-	-	4,687	
Alternative Education	(24,198)	-	6,974	-	(31,172)	-	-	-	(31,172)	
Milan Elementary School	(88)	2,523	2,096	-	339	24,610	24,643	-	306	
Milan Middle School	78	-	-	-	78	-	78	-	-	
Milan High School	4,247	48,221	41,921	-	10,547	83,539	84,201	-	9,885	
Miscellaneous Programs	(55,806)	92,818	43,875	-	(6,863)	99,777	150,393	-	(57,479)	
RCCF	(51)	-	-	-	(51)	50	-	-	(1)	
RCCF - MES	(4,098)	4,713	161	-	454	11,250	9,000	-	2,704	
RCCF - MMS/MHS	1,000	2,649	2,399	-	1,250	6,261	5,892	-	1,619	
Monsanto Grant	-	-	-	-	-	10,000	10,000	-	-	
College Success Coalition	6,000	-	920	-	5,080	-	5,080	-	-	
Stars Grant	-	-	-	-	-	32,643	45,077	-	(12,434)	
Secured Schools Safety Grant	-	-	59,434	-	(59,434)	92,587	127,479	-	(94,326)	
Non-English Speaking Programs	309	-	-	-	309	-	309	-	-	
School Technology	-	15,000	88,503	-	(73,503)	100,000	28,333	-	(1,836)	
Digital Learning Grant	-	-	15,060	-	(15,060)	52,936	68,140	-	(30,264)	
Performance Based Awards	-	69,744	67,426	-	2,318	54,771	54,821	-	2,268	
QZAB	-	-	-	-	-	29,968	33,648	-	(3,680)	
Rising Sun 3910	(3,826)	-	-	-	(3,826)	16,231	-	-	12,405	
Rising Sun 3920	7,481	-	-	-	7,481	-	7,481	-	-	
Rising Sun 3930	-	20,000	-	-	20,000	30,346	69,890	-	(19,544)	
Rising Sun 3940	1,010	-	-	-	1,010	-	1,010	-	-	
Rising Sun 3950	-	23,700	-	-	23,700	-	23,700	-	-	
Rising Sun 3960	-	-	-	-	-	6,000	8,072	-	(2,072)	
Rising Sun 3970	-	-	-	-	-	3,000	446	-	2,554	
Title I	(32,663)	117,512	148,234	-	(63,385)	43,626	59,922	-	(79,681)	
ROD - Federal	-	247,834	286,037	-	(38,203)	283,074	278,842	-	(33,971)	
Improving Teacher Quality, No Child Left, Title II, Part A	-	36,236	44,584	-	(8,348)	66,712	33,364	-	25,000	
Prepaid Meals	-	-	-	-	-	275,044	269,734	-	5,310	
Payroll Clearing Funds	95	1,943,474	1,944,072	-	(503)	1,961,683	1,964,561	-	(3,381)	
Totals	\$ 2,915,985	\$ 13,837,643	\$ 14,026,080	\$ -	\$ 2,727,548	\$ 14,367,020	\$ 14,342,156	\$ -	\$ 2,752,412	

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

MILAN 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.

MILAN 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:

Transfers in. Amounts received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

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

MILAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

MILAN 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.

MILAN 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 Receipts and Disbursements

The financial statement contains some disbursements which appear as negative entries. This is a result of corrections to errors from prior accounting periods.

Note 8. Cash Balance Deficits

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

Textbook Rental, Alternative Education, Miscellaneous Programs, and Payroll Clearing Funds have deficits due to disbursements exceeding receipts.

MILAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. *Holding Corporation*

The School Corporation has entered into a capital lease with Milan 21st Century School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years 2015 and 2016 totaled \$124,000 and \$126,000, respectively.

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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.

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 468,202	\$ 515,348	\$ 14,712	\$ 545,310	\$ 173,511	\$ 795,675	\$ 344,192	\$ 155,383	\$ -
Receipts:									
Local sources	99,568	933,183	709,439	879,280	263,109	-	299,975	111,549	53
Intermediate sources	8	-	-	-	-	-	-	-	-
State sources	7,388,190	-	-	-	-	-	7,290	39,631	-
Federal sources	-	-	-	-	-	-	314,246	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	7,487,766	933,183	709,439	879,280	263,109	-	621,511	151,180	53
Disbursements:									
Instruction	5,355,028	-	-	-	-	-	-	-	-
Support services	2,072,433	-	596,649	770,890	84,091	9,880	-	165,488	-
Noninstructional services	124,457	-	-	-	-	-	591,307	-	-
Facilities acquisition and construction	-	-	112,457	-	-	349,739	38,438	-	-
Debt service	-	802,868	-	-	-	-	-	-	-
Total disbursements	7,551,918	802,868	709,106	770,890	84,091	359,619	629,745	165,488	-
Excess (deficiency) of receipts over disbursements	(64,152)	130,315	333	108,390	179,018	(359,619)	(8,234)	(14,308)	53
Other financing sources (uses):									
Transfers in	-	-	-	-	-	138,400	-	-	-
Transfers out	-	-	-	(130,000)	(8,400)	-	-	-	-
Total other financing sources (uses)	-	-	-	(130,000)	(8,400)	138,400	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(64,152)	130,315	333	(21,610)	170,618	(221,219)	(8,234)	(14,308)	53
Cash and investments - ending	\$ 404,050	\$ 645,663	\$ 15,045	\$ 523,700	\$ 344,129	\$ 574,456	\$ 335,958	\$ 141,075	\$ 53

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

	ROD Local Services	Educational License Plates	Alternative Education	Milan Elementary School	Milan Middle School	Milan High School	Miscellaneous Programs	RCCF
Cash and investments - beginning	\$ -	\$ 4,162	\$ (24,198)	\$ (88)	\$ 78	\$ 4,247	\$ (55,806)	\$ (51)
Receipts:								
Local sources	167,492	-	-	2,523	-	48,221	92,818	-
Intermediate sources	-	206	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	167,492	206	-	2,523	-	48,221	92,818	-
Disbursements:								
Instruction	200,659	-	6,974	-	-	-	-	-
Support services	-	-	-	2,096	-	41,921	43,875	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	200,659	-	6,974	2,096	-	41,921	43,875	-
Excess (deficiency) of receipts over disbursements	(33,167)	206	(6,974)	427	-	6,300	48,943	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(33,167)	206	(6,974)	427	-	6,300	48,943	-
Cash and investments - ending	\$ (33,167)	\$ 4,368	\$ (31,172)	\$ 339	\$ 78	\$ 10,547	\$ (6,863)	\$ (51)

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

	RCCF - MES	RCCF - MMS/MHS	Monsanto Grant	College Success Coalition	Stars Grant	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology
Cash and investments - beginning	\$ (4,098)	\$ 1,000	\$ -	\$ 6,000	\$ -	\$ -	\$ 309	\$ -
Receipts:								
Local sources	4,713	2,649	-	-	-	-	-	15,000
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	4,713	2,649	-	-	-	-	-	15,000
Disbursements:								
Instruction	161	2,399	-	920	-	-	-	-
Support services	-	-	-	-	-	59,434	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	88,503
Debt service	-	-	-	-	-	-	-	-
Total disbursements	161	2,399	-	920	-	59,434	-	88,503
Excess (deficiency) of receipts over disbursements	4,552	250	-	(920)	-	(59,434)	-	(73,503)
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	4,552	250	-	(920)	-	(59,434)	-	(73,503)
Cash and investments - ending	\$ 454	\$ 1,250	\$ -	\$ 5,080	\$ -	\$ (59,434)	\$ 309	\$ (73,503)

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

	Digital Learning Grant	Performance Based Awards	QZAB	Rising Sun 3910	Rising Sun 3920	Rising Sun 3930	Rising Sun 3940	Rising Sun 3950
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (3,826)	\$ 7,481	\$ -	\$ 1,010	\$ -
Receipts:								
Local sources	-	-	-	-	-	20,000	-	23,700
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	69,744	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	69,744	-	-	-	20,000	-	23,700
Disbursements:								
Instruction	-	67,426	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	15,060	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	15,060	67,426	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(15,060)	2,318	-	-	-	20,000	-	23,700
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	(15,060)	2,318	-	-	-	20,000	-	23,700
Cash and investments - ending	\$ (15,060)	\$ 2,318	\$ -	\$ (3,826)	\$ 7,481	\$ 20,000	\$ 1,010	\$ 23,700

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

	Rising Sun 3960	Rising Sun 3970	Title I	ROD - Federal	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid Meals	Payroll Clearing Funds	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (32,663)	\$ -	\$ -	\$ -	\$ 95	\$ 2,915,985
Receipts:								
Local sources	-	-	-	-	-	-	-	3,673,272
Intermediate sources	-	-	-	-	-	-	-	214
State sources	-	-	-	-	-	-	-	7,504,855
Federal sources	-	-	117,512	247,834	36,236	-	-	715,828
Other receipts	-	-	-	-	-	-	1,943,474	1,943,474
Total receipts	-	-	117,512	247,834	36,236	-	1,943,474	13,837,643
Disbursements:								
Instruction	-	-	138,563	286,037	44,584	-	-	6,102,751
Support services	-	-	9,671	-	-	-	1,944,072	5,800,500
Noninstructional services	-	-	-	-	-	-	-	715,764
Facilities acquisition and construction	-	-	-	-	-	-	-	604,197
Debt service	-	-	-	-	-	-	-	802,868
Total disbursements	-	-	148,234	286,037	44,584	-	1,944,072	14,026,080
Excess (deficiency) of receipts over disbursements	-	-	(30,722)	(38,203)	(8,348)	-	(598)	(188,437)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	138,400
Transfers out	-	-	-	-	-	-	-	(138,400)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(30,722)	(38,203)	(8,348)	-	(598)	(188,437)
Cash and investments - ending	\$ -	\$ -	\$ (63,385)	\$ (38,203)	\$ (8,348)	\$ -	\$ (503)	\$ 2,727,548

MILAN 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	\$ 404,050	\$ 645,663	\$ 15,045	\$ 523,700	\$ 344,129	\$ 574,456	\$ 335,958	\$ 141,075	\$ 53
Receipts:									
Local sources	138,445	929,687	696,099	874,526	264,873	28,294	273,550	105,814	-
Intermediate sources	9	-	-	-	-	-	-	-	-
State sources	7,207,970	-	-	-	-	-	7,915	36,204	-
Federal sources	-	-	-	-	-	-	309,290	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	<u>7,346,424</u>	<u>929,687</u>	<u>696,099</u>	<u>874,526</u>	<u>264,873</u>	<u>28,294</u>	<u>590,755</u>	<u>142,018</u>	<u>-</u>
Disbursements:									
Instruction	5,234,418	-	-	-	-	-	-	-	-
Support services	2,074,427	-	557,058	790,787	(91)	18,220	-	327,737	-
Noninstructional services	127,880	-	-	-	-	-	643,502	-	-
Facilities acquisition and construction	-	-	35,744	-	-	107,281	24,799	-	-
Debt service	-	840,403	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	5,518	-	-
Total disbursements	<u>7,436,725</u>	<u>840,403</u>	<u>592,802</u>	<u>790,787</u>	<u>(91)</u>	<u>125,501</u>	<u>673,819</u>	<u>327,737</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(90,301)</u>	<u>89,284</u>	<u>103,297</u>	<u>83,739</u>	<u>264,964</u>	<u>(97,207)</u>	<u>(83,064)</u>	<u>(185,719)</u>	<u>-</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	150,000	-	-	-
Transfers out	-	-	-	(150,000)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(90,301)</u>	<u>89,284</u>	<u>103,297</u>	<u>(66,261)</u>	<u>264,964</u>	<u>52,793</u>	<u>(83,064)</u>	<u>(185,719)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 313,749</u>	<u>\$ 734,947</u>	<u>\$ 118,342</u>	<u>\$ 457,439</u>	<u>\$ 609,093</u>	<u>\$ 627,249</u>	<u>\$ 252,894</u>	<u>\$ (44,644)</u>	<u>\$ 53</u>

MILAN 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

	ROD Local Services	Educational License Plates	Alternative Education	Milan Elementary School	Milan Middle School	Milan High School	Miscellaneous Programs	RCCF
Cash and investments - beginning	\$ (33,167)	\$ 4,368	\$ (31,172)	\$ 339	\$ 78	\$ 10,547	\$ (6,863)	\$ (51)
Receipts:								
Local sources	209,917	-	-	24,610	-	83,539	99,777	50
Intermediate sources	-	319	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	209,917	319	-	24,610	-	83,539	99,777	50
Disbursements:								
Instruction	190,357	-	-	-	-	-	-	-
Support services	-	-	-	24,643	78	84,201	150,393	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	190,357	-	-	24,643	78	84,201	150,393	-
Excess (deficiency) of receipts over disbursements	19,560	319	-	(33)	(78)	(662)	(50,616)	50
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	19,560	319	-	(33)	(78)	(662)	(50,616)	50
Cash and investments - ending	\$ (13,607)	\$ 4,687	\$ (31,172)	\$ 306	\$ -	\$ 9,885	\$ (57,479)	\$ (1)

MILAN 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

	RCCF - MES	RCCF - MMS/MHS	Monsanto Grant	College Success Coalition	Stars Grant	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology
Cash and investments - beginning	\$ 454	\$ 1,250	\$ -	\$ 5,080	\$ -	\$ (59,434)	\$ 309	\$ (73,503)
Receipts:								
Local sources	11,250	6,261	10,000	-	32,643	42,587	-	100,000
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	50,000	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	11,250	6,261	10,000	-	32,643	92,587	-	100,000
Disbursements:								
Instruction	9,000	5,892	10,000	5,080	-	-	-	-
Support services	-	-	-	-	45,077	127,479	309	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	28,333
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	9,000	5,892	10,000	5,080	45,077	127,479	309	28,333
Excess (deficiency) of receipts over disbursements	2,250	369	-	(5,080)	(12,434)	(34,892)	(309)	71,667
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	2,250	369	-	(5,080)	(12,434)	(34,892)	(309)	71,667
Cash and investments - ending	\$ 2,704	\$ 1,619	\$ -	\$ -	\$ (12,434)	\$ (94,326)	\$ -	\$ (1,836)

MILAN 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

	Digital Learning Grant	Performance Based Awards	QZAB	Rising Sun 3910	Rising Sun 3920	Rising Sun 3930	Rising Sun 3940	Rising Sun 3950
Cash and investments - beginning	\$ (15,060)	\$ 2,318	\$ -	\$ (3,826)	\$ 7,481	\$ 20,000	\$ 1,010	\$ 23,700
Receipts:								
Local sources	52,936	-	29,968	16,231	-	30,346	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	54,771	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	52,936	54,771	29,968	16,231	-	30,346	-	-
Disbursements:								
Instruction	-	54,821	-	-	-	69,890	1,010	-
Support services	53,048	-	-	-	7,481	-	-	23,700
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	15,092	-	33,648	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	68,140	54,821	33,648	-	7,481	69,890	1,010	23,700
Excess (deficiency) of receipts over disbursements	(15,204)	(50)	(3,680)	16,231	(7,481)	(39,544)	(1,010)	(23,700)
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	(15,204)	(50)	(3,680)	16,231	(7,481)	(39,544)	(1,010)	(23,700)
Cash and investments - ending	\$ (30,264)	\$ 2,268	\$ (3,680)	\$ 12,405	\$ -	\$ (19,544)	\$ -	\$ -

MILAN 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

	Rising Sun 3960	Rising Sun 3970	Title I	ROD - Federal	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid Meals	Payroll Clearing Funds	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (63,385)	\$ (38,203)	\$ (8,348)	\$ -	\$ (503)	\$ 2,727,548
Receipts:								
Local sources	6,000	3,000	-	-	-	-	-	4,070,403
Intermediate sources	-	-	-	-	-	-	-	328
State sources	-	-	-	-	-	-	-	7,356,860
Federal sources	-	-	43,626	283,074	66,712	-	-	702,702
Other receipts	-	-	-	-	-	275,044	1,961,683	2,236,727
Total receipts	6,000	3,000	43,626	283,074	66,712	275,044	1,961,683	14,367,020
Disbursements:								
Instruction	8,072	446	59,922	278,842	33,364	-	-	5,961,114
Support services	-	-	-	-	-	-	1,964,561	6,249,108
Noninstructional services	-	-	-	-	-	269,734	-	1,041,116
Facilities acquisition and construction	-	-	-	-	-	-	-	244,897
Debt service	-	-	-	-	-	-	-	840,403
Nonprogrammed charges	-	-	-	-	-	-	-	5,518
Total disbursements	8,072	446	59,922	278,842	33,364	269,734	1,964,561	14,342,156
Excess (deficiency) of receipts over disbursements	(2,072)	2,554	(16,296)	4,232	33,348	5,310	(2,878)	24,864
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	150,000
Transfers out	-	-	-	-	-	-	-	(150,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,072)	2,554	(16,296)	4,232	33,348	5,310	(2,878)	24,864
Cash and investments - ending	\$ (2,072)	\$ 2,554	\$ (79,681)	\$ (33,971)	\$ 25,000	\$ 5,310	\$ (3,381)	\$ 2,752,412

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Milan 21st Century School Building Corporation	School Renovations	\$ 130,000	6/30/2011	12/31/2016
Milan 21st Century School Building Corporation	Trane Project	<u>107,000</u>	6/30/2016	12/31/2025
Total		<u>\$ 237,000</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities: Notes and loans payable	Common School Loans	\$ 4,629,460	\$ 640,438
Totals		<u>\$ 4,629,460</u>	<u>\$ 640,438</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

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

TO: THE OFFICIALS OF THE MILAN COMMUNITY SCHOOLS, RIPLEY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Milan Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016.

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

Report on Internal Control over Compliance


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

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 item 2016-003 that we consider to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 26, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			SY 14-15	\$ -	\$ 65,078	\$ -	\$ -
School Breakfast			SY 15-16	-	-	-	65,980
Total - School Breakfast Program				-	65,078	-	65,980
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555	SY 14-15	-	249,168	-	-
School Lunch			SY 15-16	-	-	-	243,310
School Lunch - Commodities				-	38,302	-	36,922
Total - National School Lunch Program				-	287,470	-	280,232
Total - Child Nutrition Cluster				-	352,548	-	346,212
Total - Department of Agriculture				-	352,548	-	346,212
<u>Department of Education</u>							
Special Education Cluster							
Special Education_Grants to States	Indiana Department of Education	84.027					
FY 2013			14213-052-PN01	-	54	-	-
FY 2014			14214-052-PN01	-	224,221	-	362
FY 2015			14215-052-PN01	-	157,229	-	157,783
FY 2016			14216-050-PN01	-	-	-	188,458
Technical Assistance			99914-052-TA01	-	4,065	-	1,299
Total - Special Education_Grants to States				-	385,569	-	347,902
Special Education_Preschool Grants	Indiana Department of Education	84.173					
FY 2014			45714-052-PN01	-	1,898	-	266
FY 2015			45715-052-PN01	-	-	-	1,677
FY 2016			45716-050-PN01	-	-	-	207
Total - Special Education_Preschool Grants				-	1,898	-	2,150
Total - Special Education Cluster				-	387,467	-	350,052
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			14-6910	-	26,791	-	-
Title I			15-6910	-	90,721	-	-
Title I			16-6910	-	-	-	43,626
Total - Title I Grants to Local Educational Agencies				-	117,512	-	43,626
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II			12-6910	-	36,236	-	-
Title II			13-6910	-	-	-	33,348
Title II			14-6910	-	-	-	33,364
Total - Supporting Effective Instruction State Grants				-	36,236	-	66,712
Total - Department of Education				-	541,215	-	460,390
Total federal awards expended				\$ -	\$ 893,763	\$ -	\$ 806,602

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

MILAN COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

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

MILAN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2016-001

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

Repeat Finding

A similar finding was reported in the immediately prior audit entitled, *FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING*.

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

Condition

There were the following deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts and payroll disbursements. The School Corporation did not provide evidence of a review or approval process to ensure that material misstatements would be prevented, or detected and corrected, in a timely manner.
2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the School Corporation to monitor and assess the quality of the system of internal control.

Context

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

Criteria

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

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

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

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

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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

Cause

Management had not established a proper system of internal control over receipts and payroll disbursements.

Effect

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

Recommendation

We recommended that the School Corporation's management establish effective controls, including segregation of duties, to ensure the accuracy of receipts and payroll disbursements reported in the financial statement.

Views of Responsible Officials

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

FINDING 2016-002

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

Repeat Finding

A similar finding was reported in the immediately prior audit entitled, *FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING*.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

Context

The SEFA presented for audit contained the following errors:

1. The Special Education_Grants to States (CFDA #84.027) were understated by \$279,578 and \$263,142 for fiscal year 2015 and fiscal year 2016, respectively.
2. The Special Education_Preschool Grants (CFDA #84.173) were overstated by \$1,000 for fiscal year 2016.
3. The National School Lunch Program (CFDA #10.555) was understated by \$38,302 and \$36,922 for fiscal year 2015 and fiscal year 2016, respectively.

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

4. The Title I Grants to Local Educational Agencies (CFDA #84.010) were overstated by \$25,000 for fiscal year 2015.
5. The Supporting Effective Instruction State Grants (CFDA #84.367) were understated by \$36,236 for fiscal year 2015.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

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

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

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

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

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § _____.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.

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

- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

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

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure accurate reporting of the SEFA.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-003

Subject: Child Nutrition Cluster - Internal Controls

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): SY 14-15, SY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements listed above.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Payroll disbursements were paid for each person from the program with no evidence of an independent oversight, review, or approval process, to ensure the accuracy of the payroll disbursements.

Cash Management

One employee was responsible for reviewing the three month average expenditure for the Child Nutrition Program with no evidence of an independent oversight, review, or approval process, to ensure the accuracy of the calculation.

Eligibility

The Food Service Director is the sole person responsible for making the determination on the Free and Reduced Lunch Applications. There was no evidence of an oversight, review, or approval process, to ensure the accuracy of the determination.

Procurement

The School Corporation utilized a purchasing cooperative to obtain bids on their behalf for all food service items. There was no evidence of an oversight, review, or approval process, to ensure compliance for items bid by the purchasing cooperative.

Suspension and Debarment

The School Corporation utilized a purchasing cooperative that was responsible for verifying a vendor was not suspended or debarred before entering into a covered transaction. There was no evidence of an oversight, review, or approval process by the School Corporation, to ensure the vendor was not suspended or debarred.

Program Income

The Treasurer is responsible for running reports and transferring money from the Prepaid Account to the School Lunch Fund. There was no evidence of an oversight, review, or approval process, to ensure the amounts being transferred were accurate.

Reporting

The Treasurer is responsible for preparing and submitting the Reimbursement Requests and the Annual Financial Report. There was no evidence of an oversight, review, or approval process by the School Corporation, to ensure the accuracy of the reports prior to submission.

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

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The Food Service Director was responsible for performing the verification of free and reduced price applications. There was no evidence of an oversight, review, or approval process, to ensure the accuracy of the determination.

Special Tests and Provisions - School Food Account

There was no evidence of an oversight, review, or approval process, to ensure the amounts recorded in the school food account were accurate.

Special Tests and Provisions - Paid Lunch Equity

One employee had sole responsibility for the preparation of the paid lunch equity calculation. There was no evidence of an oversight, review, or approval process, to ensure the accuracy of the numbers used in the calculation.

Context

The lack of properly designed and implemented controls was a systemic issue throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system could have enabled material noncompliance to go undetected with the compliance requirements listed above.

MILAN 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 related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



MILAN COMMUNITY SCHOOLS

412 EAST CARR STREET

MILAN, INDIANA 47031

Tel (812) 654-2365 Fax (812) 654-2441

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-002

Fiscal year in which the finding initially occurred: 2014

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

Contact Person Responsible for Corrective Action: Gretchen Berger

Contact Phone Number: (812) 654-2365

Status of Audit Finding:

The instructional assistants who are paid thru the Title I program fill out a timecard for payroll bi-weekly. They indicate at the top "Title I Instructional Assistant". The elementary school principal signs each timecard verifying hours worked. The timecards are then submitted to the superintendent's office and are verified again. Superintendent verifies the payroll distribution detail.

Corporation Treasurer and Superintendent discuss Title I staffing and funding throughout the year. The Reimbursement requests and final report are submitted online by the corporation treasurer and then the Superintendent has to verify the online submission before it is approved by Title I.

We are now a "school wide" Title I program so all students are eligible for services.

FINDING 2014-003

Fiscal year in which the finding initially occurred: 2014

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

Contact Person Responsible for Corrective Action: Gretchen Berger

Contact Phone Number: (812) 654-2365

Status of Audit Finding:

The Superintendent verifies the employee list of name that is submitted to ROD at the beginning of each school year. The Superintendent also keeps the treasurer informed when changes in staffing paid by ROD are made. Monthly requests for payroll reimbursement are submitted to ROD. The ROD Secretary verifies this request and submits to their board for reimbursement approval.

The MOE calculation is completed in August by the Corporation Treasurer and the Superintendent signs the assurance page before it is submitted to ROD. ROD Secretary then verifies the information when they receive the report.

FINDING 2014-004

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Gretchen Berger
Contact Phone Number: (812) 654-2365

Status of Audit Finding:

Due to the change in requirements under Uniform Guidance, the Semi-Annual Certifications are no longer required. The Title I employees are maintaining detail time records to support their time charged to the federal program. The Title I director submits an annual staffing report online to the state each year also.

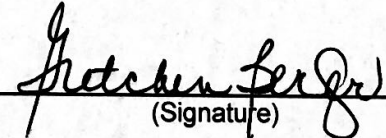
FINDING 2014-005

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Gretchen Berger
Contact Phone Number: (812) 654-2365

Status of Audit Finding:

Corporation Treasurer set up new funds 1300 and 5240 for the local and federal dollars for ROD special education. These funds are no longer in the general fund.

Due to the change in requirements under Uniform Guidance, the Semi-Annual Certifications are no longer required. The Special Ed employees are maintaining detail time records to support their time charged to the federal program.



(Signature)

Treasurer

(Title)

11-5-18

(Date)



MILAN COMMUNITY SCHOOLS

412 EAST CARR STREET

MILAN, INDIANA 47031

Tel (812) 654-2365 Fax (812) 654-2441

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Jane Rogers & Gretchen Berger
Contact Phone Number: 812-654-2365

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer will consult with the Deputy Treasurer on a weekly basis to review and initial the financial transactions for receipts and payroll disbursements. The Superintendent will also inspect and initial these financial documents and provide further consultation as needed.

Anticipated Completion Date: Superintendent began initialing documents for 2017-18.
Deputy Treasurer will begin initialing December 2018.

FINDING 2016-002

Contact Person Responsible for Corrective Action: Jane Rogers & Gretchen Berger
Contact Phone Number: 812-654-2365

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer is going to begin assigning different fund numbers for each year the Federal grant is received. This will allow for amounts receipted and disbursed to show on separate lines for the SEFA report. The Corporation Treasurer will verify amounts reported for special education with the ROD Secretary/Treasurer. The Superintendent and/or Deputy Treasurer will review the SEFA report prior to submission.

Anticipated Completion Date: January 2019 for SEFA Report due August 2019.

FINDING 2016-003

Contact Person Responsible for Corrective Action: Jane Rogers & Gretchen Berger
Contact Phone Number: 812-654-2365

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Activities Allowed or Unallowed and Allowable Costs/Cost Principles:

Payroll disbursements are made by the Corporation Treasurer. The Food Service Director will review and initial the payroll distribution detail report each month.

Cash Management:

Corporation Treasurer will calculate the 3-month average expenditure and the FSD will review and initial the calculation.

Eligibility:

The FSD will make the initial determination for the free and reduced lunch applications. The Cafeteria Manager, Corporation Treasurer or Superintendent will review to make sure the correct information and determination is input into the computer system.

Procurement:

The Superintendent will review the purchasing cooperative bid procedure for the food service items and inform the School Board of such when they approve participation each year.

Suspension and Debarment:

The Superintendent will review the suspension and debarment forms submitted by the purchasing cooperative on behalf of the successful bidders for food service items.

Program Income:

The Corporation Treasurer will make the transfer from the 8400 prepaid account to the 0800 school lunch fund for actual sales. The FSD will review and initial this transfer report.

Reporting:

The Corporation Treasurer will submit the monthly reimbursement request and the annual financial report each year. The FSD will review and initial the monthly report and the annual report.

Special Tests & Provisions – Verification of Free & Reduced Price Applications (NSLP):

The FSD will complete the 3% verification of these applications each year and submit the report. The Cafeteria Manager, Corporation Treasurer or Building Principal will review and initial this report.

Special Tests & Provisions – School Food Account:

The Corporation Treasurer posts all financial transactions to 0800 school lunch fund account.

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/>.