

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

BAUGO COMMUNITY SCHOOLS
ELKHART COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/28/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bruce Perry Nancy R. Winnicki	01-01-16 to 01-27-17 01-28-17 to 12-31-19
Superintendent of Schools	James H. DuBois	01-01-16 to 06-30-19
President of the School Board	Edward Collins Caleb Pontius Edward Collins Eric Ott	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Baugo Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, 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, 2016 to June 30, 2018.

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, 2016 to June 30, 2018, 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 March 19, 2019, 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

March 19, 2019



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Baugo Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated March 19, 2019, 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 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 item 2018-001, that we consider to be a material weakness.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free 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*.

Baugo Community Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

March 19, 2019

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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BAUGO COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 483,806	\$ 11,949,210	\$ 12,034,034	\$ -	\$ 398,982	\$ 11,898,756	\$ 11,833,629	\$ 71,965	\$ 536,074
Debt Service	1,912,760	3,453,635	3,667,004	-	1,699,391	3,950,492	3,675,583	-	1,974,300
Retirement/Severance Bond Debt Service	103,192	179,801	183,348	-	99,645	187,460	184,962	-	102,143
Capital Projects	1,303,213	1,987,220	2,079,854	-	1,210,579	1,670,673	2,289,513	1,720	593,459
School Transportation	419,690	1,440,382	1,393,299	-	466,773	1,492,129	1,364,040	-	594,862
School Bus Replacement	203,597	150,043	123,713	-	229,927	154,623	135,838	-	248,712
Rainy Day	440,419	-	-	-	440,419	-	-	-	440,419
Retirement/Severance Bond	51,488	-	-	-	51,488	-	-	-	51,488
Construction Fund GOB 2015	889,423	200	889,623	-	-	-	-	-	-
Construction Fund GOB 2017	-	-	-	-	-	-	401,512	1,848,906	1,447,394
School Lunch	83,231	767,288	777,214	-	73,305	791,378	740,931	-	123,752
Textbook Rental	210,458	300,610	392,806	-	118,262	274,416	183,093	-	209,585
Self-Insurance	2,068,784	1,507,766	1,204,776	-	2,371,774	1,330,024	1,731,959	-	1,969,839
Educational License Plates	5,001	56	-	-	5,057	56	-	-	5,113
Alternative Education	15,712	(15,712)	-	-	-	-	-	-	-
Lilly Counseling Grant	-	30,000	20,748	-	9,252	187,800	28,231	-	168,821
Donation	1,574	2,000	-	(3,574)	-	2,738	-	-	2,738
Wellness/Fitness Grant	184	(184)	-	-	-	-	-	-	-
Project Lead the Way - PLTW	-	-	-	-	-	15,000	15,000	-	-
Business Scholarship	2,050	-	2,000	-	50	-	-	-	50
Miscellaneous Programs	5	-	-	-	5	-	-	-	5
Baugo Promise Indiana	-	-	-	-	-	15,000	885	-	14,115
Formative Assessment	-	19,282	19,282	-	-	23,267	26,001	-	(2,734)
IN Positive Behavior Supp	226	-	-	-	226	-	-	-	226
High Ability	366	-	-	-	366	-	-	-	366
High Ability 2015-16	10,655	-	10,655	-	-	-	-	-	-
High Ability 2016-17	-	32,484	27,770	-	4,714	-	4,714	-	-
High Ability 2017-18	-	-	-	-	-	32,300	14,449	-	17,851
Medicaid Reimbursement	57,386	41,514	41,668	-	57,232	28,254	28,338	-	57,148
Secured Schools Safety Grant	-	-	-	-	-	-	3,272	-	(3,272)
Non-English Speaking 2016-17	-	16,312	16,312	-	-	-	-	-	-
Non-English Speaking 2017-18	-	-	-	-	-	20,500	14,230	-	6,270
School Technology	1,205	10,628	8,199	-	3,634	14,250	3,599	-	14,285
Career and Technical Performance Grant	-	11,139	11,139	-	-	12,483	6,252	-	6,231
Teacher Appreciation Grant	-	94,898	94,898	-	-	56,335	56,335	-	-
Governor's WEC Grant	-	-	-	-	-	6,127	6,127	-	-
Title I 2015-16	(15,724)	44,474	28,750	-	-	-	-	-	-
Title I 2016-17	-	148,482	162,915	-	(14,433)	33,370	18,937	-	-
Title I 2017-18	-	-	-	-	-	178,029	188,225	-	(10,196)
SPED Part B FY2015-16	(47,024)	86,675	39,651	-	-	-	-	-	-
SPED Part B FY2016-17	-	233,299	285,131	-	(51,832)	86,975	35,143	-	-
SPED Part B FY2017-18	-	-	-	-	-	236,658	288,618	-	(51,960)
Medicaid Reimbursement - Federal	42,652	48,778	-	-	91,430	7,048	-	-	98,478
Title II FFY 2014	(7,809)	16,596	8,787	-	-	-	-	-	-
Title II FFY 2015	(17,303)	40,579	24,819	-	(1,543)	6,587	5,044	-	-
Title II FFY 2016	-	-	-	-	-	18,777	18,777	-	-
Title III FY2015-2016 FY 16	(1,434)	8,242	6,808	-	-	-	-	-	-
Title III FY2016-2017 FY 17	-	8,699	6,547	-	2,152	3,275	5,974	-	(547)
ETHOS Math and Science Partnership	2,500	-	2,500	-	-	3,357	3,357	-	-
Prepaid Food	8,128	337,799	332,501	-	13,426	340,796	335,354	-	18,868
Payroll Clearing	865	2,346,311	2,347,058	-	118	2,129,437	2,129,416	-	139
Other Clearing	7,254	115,579	104,178	-	18,655	100,131	111,238	-	7,548
Totals	\$ 8,236,530	\$ 25,414,084	\$ 26,347,986	\$ (3,574)	\$ 7,299,054	\$ 25,308,501	\$ 25,888,576	\$ 1,922,591	\$ 8,641,570

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

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Transfers 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.

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

BAUGO 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 receipts and disbursements which appear as negative entries. This is a result of adjusting/reclassifying the receipt of funds from the Alternative Education fund to the General fund to match the receipts with the associated disbursements.

Additionally, a receipt was processed to reclassify Wellness/Fitness Grant fund proceeds to the Other Clearing fund.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants/funds. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2017 and 2018.

BAUGO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Holding Corporation

The School Corporation has entered into a capital lease with Baugo School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years 2017 and 2018 totaled \$2,866,500 and \$2,867,500, respectively.

Note 10. Subsequent Events

The Baugo School Building Corporation (Building Corporation) issued \$5,000,000 of Ad Valorem Property Tax First Mortgage Bonds, Series 2018 for the purpose of paying the costs of renovation and improvements to school facilities, purchase of equipment and technology, and to pay issuance expenses. Payments on the Bonds will be made pursuant to a lease executed on September 24, 2018, between the Building Corporation and the School Corporation. The term of the Lease is 12 years and is expected to mature on January 15, 2027.

Effective January 1, 2019, Baugo Community Schools changed the following insurance providers:

Health/Medical	from	North America Administrators	to	Aetna
Dental	from	Cigna	to	Aetna
Vision	from	Cigna	to	Humana

Note 11. Other Postemployment Benefits

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

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OTHER INFORMATION - UNAUDITED

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

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

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

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

	General	Debt Service	Retirement/Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/Severance Bond
Cash and investments - beginning	\$ 483,806	\$ 1,912,760	\$ 103,192	\$ 1,303,213	\$ 419,690	\$ 203,597	\$ 440,419	\$ 51,488
Receipts:								
Local sources	137,343	3,453,635	179,801	1,629,780	1,046,149	150,043	-	-
Intermediate sources	16	-	-	-	-	-	-	-
State sources	11,807,925	-	-	-	-	-	-	-
Federal sources	-	-	-	2,629	-	-	-	-
Temporary loans	-	-	-	354,811	394,233	-	-	-
Other	3,926	-	-	-	-	-	-	-
Total receipts	11,949,210	3,453,635	179,801	1,987,220	1,440,382	150,043	-	-
Disbursements:								
Instruction	8,073,619	-	-	-	1,211	-	-	-
Support services	3,713,547	35,250	-	885,022	986,684	123,713	-	-
Noninstructional services	246,868	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	757,754	-	-	-	-
Debt service	-	3,631,754	183,348	437,078	405,404	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	12,034,034	3,667,004	183,348	2,079,854	1,393,299	123,713	-	-
Excess (deficiency) of receipts over disbursements	(84,824)	(213,369)	(3,547)	(92,634)	47,083	26,330	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(84,824)	(213,369)	(3,547)	(92,634)	47,083	26,330	-	-
Cash and investments - ending	\$ 398,982	\$ 1,699,391	\$ 99,645	\$ 1,210,579	\$ 466,773	\$ 229,927	\$ 440,419	\$ 51,488

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

	Construction Fund GOB 2015	Construction Fund GOB 2017	School Lunch	Textbook Rental	Self-Insurance	Educational License Plates	Alternative Education	Lilly Counseling Grant	Donation
Cash and investments - beginning	\$ 889,423	\$ -	\$ 83,231	\$ 210,458	\$ 2,068,784	\$ 5,001	\$ 15,712	\$ -	\$ 1,574
Receipts:									
Local sources	200	-	338,671	207,492	1,507,766	-	-	30,000	2,000
Intermediate sources	-	-	-	-	-	56	-	-	-
State sources	-	-	10,308	93,118	-	-	(15,712)	-	-
Federal sources	-	-	418,288	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	21	-	-	-	-	-	-
Total receipts	200	-	767,288	300,610	1,507,766	56	(15,712)	30,000	2,000
Disbursements:									
Instruction	-	-	3,029	-	-	-	-	-	-
Support services	-	-	14,765	392,806	-	-	-	20,748	-
Noninstructional services	-	-	759,420	-	-	-	-	-	-
Facilities acquisition and construction	889,623	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	1,204,776	-	-	-	-
Total disbursements	889,623	-	777,214	392,806	1,204,776	-	-	20,748	-
Excess (deficiency) of receipts over disbursements	(889,423)	-	(9,926)	(92,196)	302,990	56	(15,712)	9,252	2,000
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(3,574)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(3,574)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(889,423)	-	(9,926)	(92,196)	302,990	56	(15,712)	9,252	(1,574)
Cash and investments - ending	\$ -	\$ -	\$ 73,305	\$ 118,262	\$ 2,371,774	\$ 5,057	\$ -	\$ 9,252	\$ -

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

	Wellness/Fitness Grant	Project Lead the Way - PLTW	Business Scholarship	Miscellaneous Programs	Baugo Promise Indiana	Formative Assessment	IN Positive Behavior Supp	High Ability	High Ability 2015-16
Cash and investments - beginning	\$ 184	\$ -	\$ 2,050	\$ 5	\$ -	\$ -	\$ 226	\$ 366	\$ 10,655
Receipts:									
Local sources	(184)	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	19,282	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	(184)	-	-	-	-	19,282	-	-	-
Disbursements:									
Instruction	-	-	-	-	-	19,282	-	-	10,655
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	2,000	-	-	-	-	-	-
Total disbursements	-	-	2,000	-	-	19,282	-	-	10,655
Excess (deficiency) of receipts over disbursements	(184)	-	(2,000)	-	-	-	-	-	(10,655)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(184)	-	(2,000)	-	-	-	-	-	(10,655)
Cash and investments - ending	\$ -	\$ -	\$ 50	\$ 5	\$ -	\$ -	\$ 226	\$ 366	\$ -

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

	High Ability 2016-17	High Ability 2017-18	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking 2016-17	Non-English Speaking 2017-18	School Technology	Career and Technical Performance Grant	Teacher Appreciation Grant
Cash and investments - beginning	\$ -	\$ -	\$ 57,386	\$ -	\$ -	\$ -	\$ 1,205	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	32,484	-	41,514	-	16,312	-	10,628	11,139	94,898
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	32,484	-	41,514	-	16,312	-	10,628	11,139	94,898
Disbursements:									
Instruction	27,770	-	41,668	-	16,312	-	-	11,139	94,898
Support services	-	-	-	-	-	-	8,199	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	27,770	-	41,668	-	16,312	-	8,199	11,139	94,898
Excess (deficiency) of receipts over disbursements	4,714	-	(154)	-	-	-	2,429	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,714	-	(154)	-	-	-	2,429	-	-
Cash and investments - ending	\$ 4,714	\$ -	\$ 57,232	\$ -	\$ -	\$ -	\$ 3,634	\$ -	\$ -

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

	Governor's WEC Grant	Title I 2015-16	Title I 2016-17	Title I 2017-18	SPED Part B FY2015-16	SPED Part B FY2016-17	SPED Part B FY2017-18	Medicaid Reimbursement - Federal	Title II FFY 2014
Cash and investments - beginning	\$ -	\$ (15,724)	\$ -	\$ -	\$ (47,024)	\$ -	\$ -	\$ 42,652	\$ (7,809)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	44,474	148,482	-	86,675	233,299	-	48,778	16,596
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	44,474	148,482	-	86,675	233,299	-	48,778	16,596
Disbursements:									
Instruction	-	20,938	121,580	-	39,651	285,131	-	-	-
Support services	-	7,592	39,405	-	-	-	-	-	8,787
Noninstructional services	-	220	1,930	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	28,750	162,915	-	39,651	285,131	-	-	8,787
Excess (deficiency) of receipts over disbursements	-	15,724	(14,433)	-	47,024	(51,832)	-	48,778	7,809
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	15,724	(14,433)	-	47,024	(51,832)	-	48,778	7,809
Cash and investments - ending	\$ -	\$ -	\$ (14,433)	\$ -	\$ -	\$ (51,832)	\$ -	\$ 91,430	\$ -

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

	Title II FFY 2015	Title II FFY 2016	Title III FY2015-2016 FY 16	Title III FY2016-2017 FY 17	ETHOS Math and Science Partnership	Prepaid Food	Payroll Clearing	Other Clearing	Totals
Cash and investments - beginning	\$ (17,303)	\$ -	\$ (1,434)	\$ -	\$ 2,500	\$ 8,128	\$ 865	\$ 7,254	\$ 8,236,530
Receipts:									
Local sources	-	-	-	-	-	-	-	-	8,682,696
Intermediate sources	-	-	-	-	-	-	-	-	72
State sources	-	-	-	-	-	-	-	-	12,121,896
Federal sources	40,579	-	8,242	8,699	-	-	-	-	1,056,741
Temporary loans	-	-	-	-	-	-	-	-	749,044
Other	-	-	-	-	-	337,799	2,346,311	115,579	2,803,635
Total receipts	40,579	-	8,242	8,699	-	337,799	2,346,311	115,579	25,414,084
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	8,766,883
Support services	24,819	-	6,808	6,547	2,500	-	-	-	6,277,192
Noninstructional services	-	-	-	-	-	-	-	-	1,008,438
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,647,377
Debt service	-	-	-	-	-	-	-	-	4,657,584
Nonprogrammed charges	-	-	-	-	-	332,501	2,347,058	104,178	3,990,512
Total disbursements	24,819	-	6,808	6,547	2,500	332,501	2,347,058	104,178	26,347,986
Excess (deficiency) of receipts over disbursements	15,760	-	1,434	2,152	(2,500)	5,298	(747)	11,401	(933,902)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(3,574)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(3,574)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,760	-	1,434	2,152	(2,500)	5,298	(747)	11,401	(937,476)
Cash and investments - ending	\$ (1,543)	\$ -	\$ -	\$ 2,152	\$ -	\$ 13,426	\$ 118	\$ 18,655	\$ 7,299,054

BAUGO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	General	Debt Service	Retirement/Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/Severance Bond
Cash and investments - beginning	\$ 398,982	\$ 1,699,391	\$ 99,645	\$ 1,210,579	\$ 466,773	\$ 229,927	\$ 440,419	\$ 51,488
Receipts:								
Local sources	128,454	3,950,492	187,460	1,410,450	1,157,497	154,623	-	-
Intermediate sources	16	-	-	-	-	-	-	-
State sources	11,768,941	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	260,223	334,632	-	-	-
Other	1,345	-	-	-	-	-	-	-
Total receipts	11,898,756	3,950,492	187,460	1,670,673	1,492,129	154,623	-	-
Disbursements:								
Instruction	7,770,776	-	-	-	1,033	-	-	-
Support services	3,809,032	39,110	-	1,010,754	1,062,342	135,838	-	-
Noninstructional services	253,821	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	923,948	-	-	-	-
Debt service	-	3,636,473	184,962	354,811	300,665	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	11,833,629	3,675,583	184,962	2,289,513	1,364,040	135,838	-	-
Excess (deficiency) of receipts over disbursements	65,127	274,909	2,498	(618,840)	128,089	18,785	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	71,965	-	-	1,720	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	71,965	-	-	1,720	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	137,092	274,909	2,498	(617,120)	128,089	18,785	-	-
Cash and investments - ending	\$ 536,074	\$ 1,974,300	\$ 102,143	\$ 593,459	\$ 594,862	\$ 248,712	\$ 440,419	\$ 51,488

BAUGO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Construction Fund GOB 2015	Construction Fund GOB 2017	School Lunch	Textbook Rental	Self-Insurance	Educational License Plates	Alternative Education	Lilly Counseling Grant	Donation
Cash and investments - beginning	\$ -	\$ -	\$ 73,305	\$ 118,262	\$ 2,371,774	\$ 5,057	\$ -	\$ 9,252	\$ -
Receipts:									
Local sources	-	-	333,260	151,927	1,330,024	-	-	187,800	2,738
Intermediate sources	-	-	-	-	-	56	-	-	-
State sources	-	-	10,094	100,098	-	-	-	-	-
Federal sources	-	-	447,970	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	54	22,391	-	-	-	-	-
Total receipts	-	-	791,378	274,416	1,330,024	56	-	187,800	2,738
Disbursements:									
Instruction	-	-	2,584	-	-	-	-	-	-
Support services	-	389	12,705	183,093	-	-	-	28,231	-
Noninstructional services	-	-	725,642	-	-	-	-	-	-
Facilities acquisition and construction	-	401,123	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	1,731,959	-	-	-	-
Total disbursements	-	401,512	740,931	183,093	1,731,959	-	-	28,231	-
Excess (deficiency) of receipts over disbursements	-	(401,512)	50,447	91,323	(401,935)	56	-	159,569	2,738
Other financing sources (uses):									
Proceeds of long-term debt	-	1,848,906	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,848,906	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,447,394	50,447	91,323	(401,935)	56	-	159,569	2,738
Cash and investments - ending	\$ -	\$ 1,447,394	\$ 123,752	\$ 209,585	\$ 1,969,839	\$ 5,113	\$ -	\$ 168,821	\$ 2,738

BAUGO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Wellness/Fitness Grant	Project Lead the Way - PLTW	Business Scholarship	Miscellaneous Programs	Baugo Promise Indiana	Formative Assessment	IN Positive Behavior Supp	High Ability	High Ability 2015-16
Cash and investments - beginning	\$ -	\$ -	\$ 50	\$ 5	\$ -	\$ -	\$ 226	\$ 366	\$ -
Receipts:									
Local sources	-	15,000	-	-	15,000	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	23,267	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	15,000	-	-	15,000	23,267	-	-	-
Disbursements:									
Instruction	-	15,000	-	-	-	26,001	-	-	-
Support services	-	-	-	-	885	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	15,000	-	-	885	26,001	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	14,115	(2,734)	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	14,115	(2,734)	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ 50	\$ 5	\$ 14,115	\$ (2,734)	\$ 226	\$ 366	\$ -

BAUGO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	High Ability 2016-17	High Ability 2017-18	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking 2016-17	Non-English Speaking 2017-18	School Technology	Career and Technical Performance Grant	Teacher Appreciation Grant
Cash and investments - beginning	\$ 4,714	\$ -	\$ 57,232	\$ -	\$ -	\$ -	\$ 3,634	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	32,300	28,254	-	-	20,500	14,250	12,483	56,335
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	32,300	28,254	-	-	20,500	14,250	12,483	56,335
Disbursements:									
Instruction	4,714	14,449	28,338	-	-	14,230	-	6,252	56,335
Support services	-	-	-	3,272	-	-	3,599	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	4,714	14,449	28,338	3,272	-	14,230	3,599	6,252	56,335
Excess (deficiency) of receipts over disbursements	(4,714)	17,851	(84)	(3,272)	-	6,270	10,651	6,231	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,714)	17,851	(84)	(3,272)	-	6,270	10,651	6,231	-
Cash and investments - ending	\$ -	\$ 17,851	\$ 57,148	\$ (3,272)	\$ -	\$ 6,270	\$ 14,285	\$ 6,231	\$ -

BAUGO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Governor's WEC Grant	Title I 2015-16	Title I 2016-17	Title I 2017-18	SPED Part B FY2015-16	SPED Part B FY2016-17	SPED Part B FY2017-18	Medicaid Reimbursement - Federal	Title II FFY 2014
Cash and investments - beginning	\$ -	\$ -	\$ (14,433)	\$ -	\$ -	\$ (51,832)	\$ -	\$ 91,430	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	6,127	-	-	-	-	-	-	-	-
Federal sources	-	-	33,370	178,029	-	86,975	236,658	7,048	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	6,127	-	33,370	178,029	-	86,975	236,658	7,048	-
Disbursements:									
Instruction	5,129	-	11,013	157,204	-	35,143	288,618	-	-
Support services	998	-	6,362	30,179	-	-	-	-	-
Noninstructional services	-	-	1,562	842	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	6,127	-	18,937	188,225	-	35,143	288,618	-	-
Excess (deficiency) of receipts over disbursements	-	-	14,433	(10,196)	-	51,832	(51,960)	7,048	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	14,433	(10,196)	-	51,832	(51,960)	7,048	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (10,196)	\$ -	\$ -	\$ (51,960)	\$ 98,478	\$ -

BAUGO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Title II FFY 2015	Title II FFY 2016	Title III FY2015-2016 FY 16	Title III FY2016-2017 FY 17	ETHOS Math and Science Partnership	Prepaid Food	Payroll Clearing	Other Clearing	Totals
Cash and investments - beginning	\$ (1,543)	\$ -	\$ -	\$ 2,152	\$ -	\$ 13,426	\$ 118	\$ 18,655	\$ 7,299,054
Receipts:									
Local sources	-	-	-	-	-	-	-	-	9,024,725
Intermediate sources	-	-	-	-	-	-	-	-	72
State sources	-	-	-	-	3,357	-	-	-	12,076,006
Federal sources	6,587	18,777	-	3,275	-	-	-	-	1,018,689
Temporary loans	-	-	-	-	-	-	-	-	594,855
Other	-	-	-	-	-	340,796	2,129,437	100,131	2,594,154
Total receipts	6,587	18,777	-	3,275	3,357	340,796	2,129,437	100,131	25,308,501
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	8,436,819
Support services	5,044	18,777	-	5,974	3,357	-	-	-	6,359,941
Noninstructional services	-	-	-	-	-	-	-	-	981,867
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,325,071
Debt service	-	-	-	-	-	-	-	-	4,476,911
Nonprogrammed charges	-	-	-	-	-	335,354	2,129,416	111,238	4,307,967
Total disbursements	5,044	18,777	-	5,974	3,357	335,354	2,129,416	111,238	25,888,576
Excess (deficiency) of receipts over disbursements	1,543	-	-	(2,699)	-	5,442	21	(11,107)	(580,075)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	1,848,906
Sale of capital assets	-	-	-	-	-	-	-	-	73,685
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	1,922,591
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,543	-	-	(2,699)	-	5,442	21	(11,107)	1,342,516
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (547)	\$ -	\$ 18,868	\$ 139	\$ 7,548	\$ 8,641,570

BAUGO COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 4,177</u>	<u>\$ 62,702</u>

BAUGO COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Baugo School Building Corporation	New School Building Project and Renovations	\$ 2,854,600	6/30/2015	12/31/2024
Total of annual lease payments		<u>\$ 2,854,600</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Facility Repairs Equipment Purchases	\$ 1,855,000	\$ 782,266
General obligation bonds	Pension Bond	275,000	185,878
Tax anticipation warrants	Short term financing for transportation and capital projects funds	<u>594,855</u>	<u>604,319</u>
Total governmental activities		<u>2,724,855</u>	<u>1,572,463</u>
Totals		<u>\$ 2,724,855</u>	<u>\$ 1,572,463</u>

BAUGO COMMUNITY SCHOOLS
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 282,449
Buildings	43,672,904
Improvements other than buildings	1,595,740
Machinery, equipment, and vehicles	<u>3,952,729</u>
Total governmental activities	<u>49,503,822</u>
Total capital assets	<u>\$ 49,503,822</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
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Major Federal Program

We have audited the Baugo 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 its major federal program for the period of July 1, 2016 to June 30, 2018. The School Corporation's major federal program is 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 the School Corporation's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2018-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Child Nutrition Cluster for the period of July 1, 2016 to June 30, 2018.

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 item 2018-003. Our opinion on the 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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 2018-002, 2018-003, and 2018-004, that we consider to be material weaknesses.

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

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

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


Paul D. Joyce, CPA
State Examiner

March 19, 2019

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.

BAUGO COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Lunch Fund			FY 2016-2017	\$ -	\$ 65,932	\$ -	\$ -
School Lunch Fund			FY 2017-2018	-	-	-	73,401
Total - School Breakfast Program				-	65,932	-	73,401
National School Lunch Program							
School Lunch Fund	Indiana Department of Education	10.555					
School Lunch Fund			FY 2016-2017	-	352,356	-	-
Commodities			FY 2017-2018	-	-	-	374,569
Commodities			FY 2016-2017	-	79,463	-	-
Commodities			FY 2017-2018	-	-	-	68,093
Total - National School Lunch Program				-	431,819	-	442,662
Total - Child Nutrition Cluster				-	497,751	-	516,063
Total - Department of Agriculture				-	497,751	-	516,063
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
SPED 2015-16			14216-016-PN01	-	62,346	-	-
SPED FY2016-17			14217-016-PN01	-	233,299	-	86,975
SPED FY2017-18			14218-016-PN01	-	-	-	236,658
Total - Special Education Grants to States				-	295,645	-	323,633
Special Education Preschool Grants	Indiana Department of Education	84.173					
PreSchool 2017-2018			45718-016-PN01	-	-	-	21,005
Total - Special Education Preschool Grants				-	-	-	21,005
Total - Special Education Cluster (IDEA)				-	295,645	-	344,638

BAUGO COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2015-16			16-2260	-	44,474	-	-
Title I 2016-17			17-2260	-	148,482	-	33,370
Title I 2017-18			18-2260	-	-	-	178,029
Total - Title I Grants to Local Educational Agencies				<u>-</u>	<u>192,956</u>	<u>-</u>	<u>211,399</u>
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III 2015-2016 FY16			01116-018-PN01	-	8,242	-	-
Title III 2016-2017 FY17			01117-018-PN01	-	8,699	-	3,275
Total - English Language Acquisition State Grants				<u>-</u>	<u>16,941</u>	<u>-</u>	<u>3,275</u>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II FFY 2014			FY14	-	16,596	-	-
Title II FFY 2015			FY15	-	40,579	-	6,587
Title II FFY 2016			FY16	-	-	-	18,777
Total - Supporting Effective Instruction State Grants				<u>-</u>	<u>57,175</u>	<u>-</u>	<u>25,364</u>
Total - Department of Education				<u>-</u>	<u>562,717</u>	<u>-</u>	<u>584,676</u>
Total federal awards expended				<u>\$ -</u>	<u>\$ 1,060,468</u>	<u>\$ -</u>	<u>\$ 1,100,739</u>

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

BAUGO COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2017 and 2018. 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 a Special Education Cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

BAUGO COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies 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 Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified

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

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting.

Payroll Disbursements

There were no internal controls in place to ensure that all non-contracted employees' pay rates approved by the School Board were being used. The School Corporation did not have any type of master list that disclosed all the wages and salaries that were approved by the School Board for the non-contracted employees for the audit period. The person approving payroll did not have information available to ensure the correct rate was being paid.

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

Context

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

Criteria

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

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

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

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

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

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

Cause

Management of the School Corporation had not established a proper system of internal controls that would ensure proper reporting of payroll disbursements.

Effect

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

Recommendation

We recommended that the School Corporation establish a system of internal controls related to financial transactions and reporting of payroll disbursements.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-002

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): FY 2016-2017, FY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Reporting, Special Tests and Provisions - School Food Accounts
Audit Finding: Material Weakness

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 Cash Management, Reporting, and Special Tests and Provisions - School Food Accounts compliance requirements.

Cash Management

There were no internal controls in place at the School Corporation to ensure that the School Corporation was in compliance with the cash management requirement that they limit their net cash resources in the School Lunch fund to the average of the food service expenditures for three months. During the first fiscal year, the School Corporation had a report that was used to monitor the cash management requirement. In August 2017, that report was modified and the new report no longer included the formulas that were used to determine compliance with this requirement.

Reporting

No evidence existed to indicate that Annual Financial Reports (AFR) were reviewed by someone other than the preparer. The original AFRs used to document the review process were not available for audit. Copies of the reports were provided for testing.

Special Tests and Provisions - School Food Accounts

There were no internal controls in place at the School Corporation to ensure that School Food Accounts transactions posted to the School Lunch fund were reviewed by an individual who was knowledgeable of the program requirements.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

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 resulted in the School Corporation being at risk of material noncompliance with the grant agreement and the compliance requirements.

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.

FINDING 2018-003

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

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 procurement requirements.

The School Corporation had not followed its own policy, nor the federal requirements for procurement of small purchases. The School Corporation did not obtain multiple quotes from different vendors before making small purchases.

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

Context

The lack of controls and noncompliance were systemic issues 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 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

Indiana Code 5-22-7-1 states: "A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

Indiana Code 5-22-7-2(a) states: "A purchasing agent shall issue an invitation for bids."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the procurement requirements.

Effect

The failure to establish an effective internal control system enabled 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 an effective internal control system to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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

FINDING 2018-004

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. Effective controls were not in place to ensure that only applicable employees were paid from program funds.

The School Corporation paid \$108,901 of business office salaries/wages, which were allocated to the School Lunch fund based on fixed percentages. There was no supporting documentation to indicate how the percentages were determined.

Context

The lack of controls and the noncompliance occurred during the first 19 months of 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 200.403 states in part:

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

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

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

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

(g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

34 CFR 76.730 states:

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

- (a) The amount of funds under the grant or subgrant;
- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

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

Cause

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

Effect

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

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

Questioned Costs

The \$108,901 of the business office salaries/wages allocated to the School Lunch fund were considered questioned costs.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with 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.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding initially occurred: 2016

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:

Contact Person Responsible for Corrective Action: Nancy Winnicki

Contact Phone Number: 574-293-8583

Status of Audit Finding:

The Treasurer prepares receipts throughout the month and the Business Manager reviews then signs the receipt documents. School Lunch and Textbook are receipted as a monthly total using Mealtime and Renweb software system reports for detailed verification.

Payroll clearing accounts have been updated in the Komputrol system to record payroll withholding amounts in one account, and payment of the funds to another account.

Management continually assesses effective internal controls through segregation of duties, proper and adequate documentation, and checks and balances throughout the corporation. However, due to the size of the corporation and limited resources, not all internal controls can be divided among different employees and departments.

Nancy R Winnicki
(Signature)

TREASURER
(Title)

02/26/2019
(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-002

Fiscal year in which the finding initially occurred: 2016

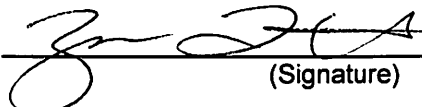
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IN Dept of Education

Contact Person Responsible for Corrective Action: Zac Quiett

Contact Phone Number: 574-293-8583

Status of Audit Finding:

KTime is used to track food service hours. The Food Service Director approves all recorded hours on a weekly basis. Previous indirect staff personnel associated with partial costs were eliminated from the Food Service Fund.



(Signature)

Business Manager

(Title)

2/26/2019

(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-003

Fiscal year in which the finding initially occurred: 2016

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

Contact Person Responsible for Corrective Action: Carol Deak

Contact Phone Number: 574-293-8583

Status of Audit Finding:

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

The Special Education Maintenance of Effort calculations is prepared by the Treasurer and reviewed by the Business Manager. A monthly grant meeting with the Special Education Manager and business office discusses maintaining proper compliance for all grant funds.

Carol Deak
(Signature)

Asst. Superintendent
(Title)

2/26/19
(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDINGS 2016-004 – 2016-008

Fiscal year in which the finding initially occurred: 2016

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

Contact Person Responsible for Corrective Action: Carol Deak

Contact Phone Number: 574-293-8583

Status of Audit Findings:

The entire ECSEC operation is going through transitions which range from different personnel in place who handle the programs and related grants to the decentralization of some of the programs. Baugo Community Schools personnel and the Special Education Coordinator continue to follow established guidelines as we understand them and monitor the related procedures put in place by the administrator (Goshen Community Schools).

Carol Deak
(Signature)

Asst. Supt.
(Title)

2/26/19
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-001

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

Views of Responsible Official:

Management recognizes and acknowledges that an effective internal control system is established through proper reporting of financial transactions and reporting.

Description of Corrective Action Plan:

A salary ordinance system will be put into place to ensure proper employee pay rates are disclosed and approved by the School Board.

Anticipation Complete Date:

The process is in the developmental stage and will be implemented immediately following final Board Approval.



(Signature)

Business Manager

(Title)

3/19/19

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Kim Johnson
Contact Phone Number: 574-293-8583

Views of Responsible Official:

Management recognizes and acknowledges that an effective internal control system is established through compliance with the School Food Account Cash Management; Reporting; Special Tests and Provisions.

Description of Corrective Action Plan:

Management revised/updated the food service report to include the three month average expenditures to monitor the Cash Management requirement.

The Annual Financial Reports will be submitted by the Food Service Director and reviewed by the Grant Administrator in the future.

School Food Account transactions are reported in the food service report by the Treasurer and reviewed by the Food Service Director. All revenue and expenditure detailed transactions are attached with the report to ensure proper internal controls and compliance requirements.

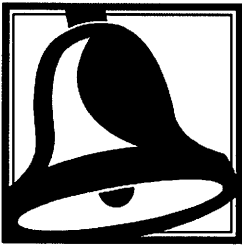
Anticipation Complete Date:

Effective immediately as of January 31, 2019

Kimberly Johnson
(Signature)

FOOD SERVICE DIRECTOR
(Title)

3-19-19
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Kim Johnson
Contact Phone Number: 574-293-8583

Views of Responsible Official:

Management recognizes and acknowledges that an effective internal control system is established through maintaining proper compliance with the Procurement and Suspension and Debarment requirements.

Description of Corrective Action Plan:

The Food Service Director will implement procedures to comply with these requirements by receiving quotes/contracts from vendors for purchases over \$3,500 per year, and attend training for proper compliance procedures.

Anticipation Complete Date:

Effective immediately as of January 31, 2019

Kimberly Johnson
(Signature)

FOOD SERVICE DIRECTOR
(Title)

3-19-19
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-004

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

Views of Responsible Official:


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

Description of Corrective Action Plan:

Management corrected this finding by eliminating any business office salaries/wages from the School Food Account.

Anticipation Complete Date:

Implemented June 30, 2018



(Signature)

Business Manager

(Title)

3/19/19

(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.