

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

MANCHESTER COMMUNITY SCHOOLS  
WABASH COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
03/29/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Scott T. Bumgardner	07-01-16 to 06-30-18
	Jeremy A. Markham	07-01-18 to 06-30-19
Superintendent of Schools	Dr. William C. Reichhart	07-01-16 to 06-30-17
	(Vacant)	07-01-17 to 07-09-17
	Michael E. Pettibone (interim)	07-10-17 to 12-31-18
	Russ Mikel (interim)	01-01-19 to 06-30-19
President of the School Board	Stephen D. Flack	01-01-16 to 12-31-18
	Ruth Ayres	01-01-19 to 12-31-19



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

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Manchester 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, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 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 4, 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 MANCHESTER COMMUNITY SCHOOLS, WABASH 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 Manchester 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 4, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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

**Compliance and Other Matters**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

March 4, 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.

MANCHESTER 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	\$ 1,017,174	\$ 10,874,406	\$ 10,101,421	\$ -	\$ 1,790,159	\$ 10,719,805	\$ 10,141,920	\$ (250,000)	\$ 2,118,044
Debt Service	673,040	1,357,579	1,245,757	-	784,862	1,426,697	1,358,174	(156,803)	696,582
Retirement/Severance Bond Debt Service	122,546	219,604	215,829	-	126,321	215,690	216,057	-	125,954
Capital Projects	778,661	1,921,637	1,613,106	40,000	1,127,192	1,835,578	2,096,508	(200,000)	666,262
School Transportation	335,844	934,437	879,205	-	391,076	948,090	918,886	-	420,280
School Bus Replacement	47,597	8,733	2,343	-	53,987	27,526	43,826	-	37,687
Rainy Day	35,415	-	-	-	35,415	-	105,069	450,000	380,346
Retirement/Severance Bond	1,341	-	-	-	1,341	-	-	-	1,341
School Lunch	(17,206)	1,011,136	1,012,263	-	(18,333)	1,024,282	993,509	-	12,440
Textbook Rental	62,786	191,666	328,996	-	(74,544)	195,246	248,498	156,803	29,007
Self-Insurance	1,698	650	2,348	-	-	-	-	-	-
Educational License Plates	1,154	150	-	-	1,304	244	-	-	1,548
Alternative Education	-	29,404	29,404	-	-	11,096	11,096	-	-
Early Lit FY 15-16	(6,090)	6,110	20	-	-	-	-	-	-
Early Lit FY 16-17	-	7,445	7,445	-	-	-	-	-	-
Early Lit FY 17-18	-	-	-	-	-	6,482	6,482	-	-
Lilly Counseling	-	30,000	18,074	-	11,926	-	11,641	-	285
Donations/PEPSI	169	717	630	-	256	815	942	-	129
Sports Physicals	-	1,000	-	-	1,000	-	-	-	1,000
Pro Claim Trust	584,326	-	285,605	-	298,721	-	298,721	-	-
Peabody Art Donation	390	-	-	-	390	-	159	-	231
Strauss Family Professional Development	9,720	-	5,810	-	3,910	-	2,907	-	1,003
Barb Welborn Memorial	-	810	-	-	810	-	-	-	810
Disc Golf	-	-	-	-	-	6,000	6,000	-	-
Ford Meter Box	2,513	15,000	12,295	-	5,218	15,000	20,103	-	115
Miscellaneous Programs/Latchkey	430	-	-	-	430	-	-	-	430
Community Foundation/Tri-Kappa	634	1,100	-	-	1,734	1,900	2,212	-	1,422
Community Foundation/Germany	-	15,490	15,490	-	-	-	-	-	-
MES Supplies/MC Donation	249	-	-	-	249	-	-	-	249
Beginnergarten FY 15-16	432	-	432	-	-	-	-	-	-
Beginnergarten FY 16-17	-	15,000	15,000	-	-	-	-	-	-

MANCHESTER COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
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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
Beginnergarten FY 17-18	-	14,500	3,000	-	11,500	-	11,500	-	-
Pre-K 18-19	-	-	-	-	-	12,000	-	-	12,000
MIS/Student Financial Needs	689	-	100	-	589	300	-	-	889
Academic Excellence	3,912	4,000	3,962	-	3,950	3,500	3,447	-	4,003
Formative Assessment	-	20,203	19,108	-	1,095	18,608	18,333	-	1,370
Gifted/Talented FY 15-16	4,251	-	4,251	-	-	-	-	-	-
Gifted/Talented FY 16-17	-	31,763	27,921	-	3,842	-	3,842	-	-
Gifted/Talented FY 17-18	-	-	-	-	-	31,620	26,191	-	5,429
Secured Schools Safety Grant	1,783	-	-	-	1,783	-	-	-	1,783
NESP 16-17	-	8,315	8,098	-	217	-	217	-	-
School Technology	63,346	64,330	128,732	-	(1,056)	103,781	99,877	-	2,848
Career and Technical Performance Grant	-	12,091	12,091	-	-	12,252	2,910	-	9,342
Performance Based Awards	1,912	-	-	-	1,912	-	-	-	1,912
Performance Based Awards 17-18	-	-	-	-	-	47,244	47,244	-	-
Digital Learning	(3,449)	19,263	15,814	-	-	-	-	-	-
Title I FY 15-16	(20,446)	68,803	48,357	-	-	-	-	-	-
Title I FY 16-17	-	233,087	267,198	-	(34,111)	47,022	12,911	-	-
Title I FY 17-18	-	-	-	-	-	216,954	221,713	-	(4,759)
Title II, FY 16-17	-	10,563	11,992	-	(1,429)	33,193	35,224	-	(3,460)
Title II, FY 17-18	-	-	-	-	-	1,660	1,660	-	-
Title II, Part A FY 15-16	(3,157)	30,920	27,763	-	-	-	-	-	-
Rural and Low Income FY 15-16	(4,435)	29,282	24,847	-	-	-	-	-	-
Title III 14-16	(121)	4,257	4,136	-	-	-	-	-	-
Title III 15-17	-	3,098	3,098	-	-	6,234	6,234	-	-
Title III 16-18	-	125	430	-	(305)	957	964	-	(312)
Clearing	106,768	2,995,170	2,947,261	-	154,677	2,808,916	2,833,273	-	130,320
Totals	<u>\$ 3,803,876</u>	<u>\$ 20,191,844</u>	<u>\$ 19,349,632</u>	<u>\$ 40,000</u>	<u>\$ 4,686,088</u>	<u>\$ 19,778,692</u>	<u>\$ 19,808,250</u>	<u>\$ -</u>	<u>\$ 4,656,530</u>

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

MANCHESTER 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.

MANCHESTER 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:

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

MANCHESTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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

MANCHESTER 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.

MANCHESTER 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. 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. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2018.

**Note 8. Holding Corporations**

The School Corporation has entered into capital leases with Manchester Elementary School Building Corporation and Manchester High School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related-parties of the School Corporation. Lease payments during the fiscal years ended June 30, 2017 and 2018, totaled \$769,000 and \$890,625, respectively.

#### 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.

MANCHESTER 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	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,017,174	\$ 673,040	\$ 122,546	\$ 778,661	\$ 335,844	\$ 47,597	\$ 35,415	\$ 1,341	\$ (17,206)	\$ 62,786
Receipts:										
Local sources	98,321	1,357,579	219,604	1,356,898	734,437	8,733	-	-	453,596	124,651
Intermediate sources	43	-	-	-	-	-	-	-	-	-
State sources	10,449,464	-	-	-	-	-	-	-	10,616	65,623
Federal sources	-	-	-	-	-	-	-	-	538,512	-
Temporary loans	300,000	-	-	500,000	200,000	-	-	-	-	-
Other receipts	26,578	-	-	64,739	-	-	-	-	8,412	1,392
Total receipts	10,874,406	1,357,579	219,604	1,921,637	934,437	8,733	-	-	1,011,136	191,666
Disbursements:										
Instruction	6,302,668	-	-	-	-	-	-	-	-	-
Support services	3,297,208	-	-	899,802	679,205	2,343	-	-	2,224	328,996
Noninstructional services	195,785	-	-	-	-	-	-	-	1,010,039	-
Facilities acquisition and construction	5,760	-	-	213,304	-	-	-	-	-	-
Debt service	300,000	1,245,757	215,829	500,000	200,000	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	10,101,421	1,245,757	215,829	1,613,106	879,205	2,343	-	-	1,012,263	328,996
Excess (deficiency) of receipts over disbursements	772,985	111,822	3,775	308,531	55,232	6,390	-	-	(1,127)	(137,330)
Other financing sources (uses):										
Sale of capital assets	-	-	-	40,000	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	40,000	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	772,985	111,822	3,775	348,531	55,232	6,390	-	-	(1,127)	(137,330)
Cash and investments - ending	\$ 1,790,159	\$ 784,862	\$ 126,321	\$ 1,127,192	\$ 391,076	\$ 53,987	\$ 35,415	\$ 1,341	\$ (18,333)	\$ (74,544)

MANCHESTER 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

	Self- Insurance	Educational License Plates	Alternative Education	Early Lit FY 15-16	Early Lit FY 16-17	Early Lit FY 17-18	Lilly Counseling	Donations/ PEPSI	Sports Physicals	Pro Claim Trust
Cash and investments - beginning	\$ 1,698	\$ 1,154	\$ -	\$ (6,090)	\$ -	\$ -	\$ -	\$ 169	\$ -	\$ 584,326
Receipts:										
Local sources	-	-	-	-	-	-	30,000	717	1,000	-
Intermediate sources	-	150	-	-	-	-	-	-	-	-
State sources	-	-	29,404	6,110	7,445	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	650	-	-	-	-	-	-	-	-	-
Total receipts	650	150	29,404	6,110	7,445	-	30,000	717	1,000	-
Disbursements:										
Instruction	-	-	29,404	20	7,445	-	-	-	-	-
Support services	2,348	-	-	-	-	-	18,074	630	-	245,868
Noninstructional services	-	-	-	-	-	-	-	-	-	39,737
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	2,348	-	29,404	20	7,445	-	18,074	630	-	285,605
Excess (deficiency) of receipts over disbursements	(1,698)	150	-	6,090	-	-	11,926	87	1,000	(285,605)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,698)	150	-	6,090	-	-	11,926	87	1,000	(285,605)
Cash and investments - ending	\$ -	\$ 1,304	\$ -	\$ -	\$ -	\$ -	\$ 11,926	\$ 256	\$ 1,000	\$ 298,721

MANCHESTER 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

	Peabody Art Donation	Strauss Family Professional Development	Barb Welborn Memorial	Disc Golf	Ford Meter Box	Miscellaneous Programs/ Latchkey	Community Foundation/ Tri-Kappa	Community Foundation/ Germany	MES Supplies/ MC Donation	Begindergarten FY 15-16
Cash and investments - beginning	\$ 390	\$ 9,720	\$ -	\$ -	\$ 2,513	\$ 430	\$ 634	\$ -	\$ 249	\$ 432
Receipts:										
Local sources	-	-	810	-	15,000	-	1,100	15,490	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	810	-	15,000	-	1,100	15,490	-	-
Disbursements:										
Instruction	-	-	-	-	-	-	-	15,490	-	432
Support services	-	5,810	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	12,295	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	5,810	-	-	12,295	-	-	15,490	-	432
Excess (deficiency) of receipts over disbursements	-	(5,810)	810	-	2,705	-	1,100	-	-	(432)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(5,810)	810	-	2,705	-	1,100	-	-	(432)
Cash and investments - ending	\$ 390	\$ 3,910	\$ 810	\$ -	\$ 5,218	\$ 430	\$ 1,734	\$ -	\$ 249	\$ -

MANCHESTER 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

	Beginndergarten FY 16-17	Beginndergarten FY 17-18	Pre-K 18-19	MIS/ Student Financial Needs	Academic Excellence	Formative Assessment	Gifted/ Talented FY 15-16	Gifted/ Talented FY 16-17	Gifted/ Talented FY 17-18	Secured Schools Safety Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 689	\$ 3,912	\$ -	\$ 4,251	\$ -	\$ -	\$ 1,783
Receipts:										
Local sources	15,000	14,500	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	20,203	-	31,763	-	-
Federal sources	-	-	-	-	4,000	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	15,000	14,500	-	-	4,000	20,203	-	31,763	-	-
Disbursements:										
Instruction	12,000	-	-	-	-	19,108	4,251	27,921	-	-
Support services	3,000	3,000	-	-	3,962	-	-	-	-	-
Noninstructional services	-	-	-	100	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	15,000	3,000	-	100	3,962	19,108	4,251	27,921	-	-
Excess (deficiency) of receipts over disbursements	-	11,500	-	(100)	38	1,095	(4,251)	3,842	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	11,500	-	(100)	38	1,095	(4,251)	3,842	-	-
Cash and investments - ending	\$ -	\$ 11,500	\$ -	\$ 589	\$ 3,950	\$ 1,095	\$ -	\$ 3,842	\$ -	\$ 1,783

MANCHESTER 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

	NESP 16-17	School Technology	Career and Technical Performance Grant	Performance Based Awards	Performance Based Awards 17-18	Digital Learning	Title I FY 15-16	Title I FY 16-17	Title I FY 17-18
Cash and investments - beginning	\$ -	\$ 63,346	\$ -	\$ 1,912	\$ -	\$ (3,449)	\$ (20,446)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	8,315	64,330	12,091	-	-	19,263	-	-	-
Federal sources	-	-	-	-	-	-	68,803	233,087	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	8,315	64,330	12,091	-	-	19,263	68,803	233,087	-
Disbursements:									
Instruction	8,098	-	12,091	-	-	-	23,885	240,352	-
Support services	-	128,732	-	-	-	15,814	24,472	26,846	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	8,098	128,732	12,091	-	-	15,814	48,357	267,198	-
Excess (deficiency) of receipts over disbursements	217	(64,402)	-	-	-	3,449	20,446	(34,111)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	217	(64,402)	-	-	-	3,449	20,446	(34,111)	-
Cash and investments - ending	\$ 217	\$ (1,056)	\$ -	\$ 1,912	\$ -	\$ -	\$ -	\$ (34,111)	\$ -

MANCHESTER 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, FY 16-17	Title II, FY 17-18	Title II, Part A FY 15-16	Rural and Low Income FY 15-16	Title III 14-16	Title III 15-17	Title III 16-18	Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (3,157)	\$ (4,435)	\$ (121)	\$ -	\$ -	\$ 106,768	\$ 3,803,876
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,447,436
Intermediate sources	-	-	-	-	-	-	-	-	193
State sources	-	-	-	-	4,257	3,098	125	-	10,732,107
Federal sources	10,563	-	30,920	29,282	-	-	-	-	915,167
Temporary loans	-	-	-	-	-	-	-	-	1,000,000
Other receipts	-	-	-	-	-	-	-	2,995,170	3,096,941
Total receipts	10,563	-	30,920	29,282	4,257	3,098	125	2,995,170	20,191,844
Disbursements:									
Instruction	11,992	-	27,763	24,847	4,136	3,098	430	-	6,775,431
Support services	-	-	-	-	-	-	-	-	5,688,334
Noninstructional services	-	-	-	-	-	-	-	-	1,257,956
Facilities acquisition and construction	-	-	-	-	-	-	-	-	219,064
Debt service	-	-	-	-	-	-	-	-	2,461,586
Nonprogrammed charges	-	-	-	-	-	-	-	2,947,261	2,947,261
Total disbursements	11,992	-	27,763	24,847	4,136	3,098	430	2,947,261	19,349,632
Excess (deficiency) of receipts over disbursements	(1,429)	-	3,157	4,435	121	-	(305)	47,909	842,212
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	40,000
Total other financing sources (uses)	-	-	-	-	-	-	-	-	40,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,429)	-	3,157	4,435	121	-	(305)	47,909	882,212
Cash and investments - ending	\$ (1,429)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (305)	\$ 154,677	\$ 4,686,088

MANCHESTER COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 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	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,790,159	\$ 784,862	\$ 126,321	\$ 1,127,192	\$ 391,076	\$ 53,987	\$ 35,415	\$ 1,341	\$ (18,333)	\$ (74,544)
Receipts:										
Local sources	120,561	1,426,697	215,690	1,330,226	748,069	27,447	-	-	475,451	137,108
Intermediate sources	46	-	-	-	-	-	-	-	-	-
State sources	10,293,374	-	-	-	-	-	-	-	10,691	57,920
Federal sources	-	-	-	-	-	-	-	-	537,948	-
Temporary loans	300,000	-	-	500,000	200,000	-	-	-	-	-
Other receipts	5,824	-	-	5,352	21	79	-	-	192	218
Total receipts	10,719,805	1,426,697	215,690	1,835,578	948,090	27,526	-	-	1,024,282	195,246
Disbursements:										
Instruction	6,443,877	-	-	-	-	-	-	-	-	-
Support services	3,094,620	-	-	995,449	718,886	43,826	105,069	-	2,501	248,498
Noninstructional services	269,745	-	-	-	-	-	-	-	991,008	-
Facilities acquisition and construction	33,678	-	-	601,059	-	-	-	-	-	-
Debt service	300,000	1,358,174	216,057	500,000	200,000	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	10,141,920	1,358,174	216,057	2,096,508	918,886	43,826	105,069	-	993,509	248,498
Excess (deficiency) of receipts over disbursements	577,885	68,523	(367)	(260,930)	29,204	(16,300)	(105,069)	-	30,773	(53,252)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	450,000	-	-	156,803
Transfers out	(250,000)	(156,803)	-	(200,000)	-	-	-	-	-	-
Total other financing sources (uses)	(250,000)	(156,803)	-	(200,000)	-	-	450,000	-	-	156,803
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	327,885	(88,280)	(367)	(460,930)	29,204	(16,300)	344,931	-	30,773	103,551
Cash and investments - ending	\$ 2,118,044	\$ 696,582	\$ 125,954	\$ 666,262	\$ 420,280	\$ 37,687	\$ 380,346	\$ 1,341	\$ 12,440	\$ 29,007

MANCHESTER 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

	Self- Insurance	Educational License Plates	Alternative Education	Early Lit FY 15-16	Early Lit FY 16-17	Early Lit FY 17-18	Lilly Counseling	Donations/ PEPSI	Sports Physicals	Pro Claim Trust
Cash and investments - beginning	\$ -	\$ 1,304	\$ -	\$ -	\$ -	\$ -	\$ 11,926	\$ 256	\$ 1,000	\$ 298,721
Receipts:										
Local sources	-	-	-	-	-	-	-	815	-	-
Intermediate sources	-	244	-	-	-	-	-	-	-	-
State sources	-	-	11,096	-	-	6,482	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	244	11,096	-	-	6,482	-	815	-	-
Disbursements:										
Instruction	-	-	11,096	-	-	6,482	-	-	-	163,336
Support services	-	-	-	-	-	-	11,641	942	-	102,616
Noninstructional services	-	-	-	-	-	-	-	-	-	32,769
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	11,096	-	-	6,482	11,641	942	-	298,721
Excess (deficiency) of receipts over disbursements	-	244	-	-	-	-	(11,641)	(127)	-	(298,721)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	244	-	-	-	-	(11,641)	(127)	-	(298,721)
Cash and investments - ending	\$ -	\$ 1,548	\$ -	\$ -	\$ -	\$ -	\$ 285	\$ 129	\$ 1,000	\$ -

MANCHESTER COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Peabody Art Donation	Strauss Family Professional Development	Barb Welborn Memorial	Disc Golf	Ford Meter Box	Miscellaneous Programs/ Latchkey	Community Foundation/ Tri-Kappa	Community Foundation/ Germany	MES Supplies/ MC Donation	Beginnergarten FY 15-16
Cash and investments - beginning	\$ 390	\$ 3,910	\$ 810	\$ -	\$ 5,218	\$ 430	\$ 1,734	\$ -	\$ 249	\$ -
Receipts:										
Local sources	-	-	-	6,000	15,000	-	1,900	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	6,000	15,000	-	1,900	-	-	-
Disbursements:										
Instruction	159	-	-	-	-	-	-	-	-	-
Support services	-	2,907	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	6,000	20,103	-	2,212	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	159	2,907	-	6,000	20,103	-	2,212	-	-	-
Excess (deficiency) of receipts over disbursements	(159)	(2,907)	-	-	(5,103)	-	(312)	-	-	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(159)	(2,907)	-	-	(5,103)	-	(312)	-	-	-
Cash and investments - ending	\$ 231	\$ 1,003	\$ 810	\$ -	\$ 115	\$ 430	\$ 1,422	\$ -	\$ 249	\$ -

MANCHESTER 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

	Beginndergarten FY 16-17	Beginndergarten FY 17-18	Pre-K 18-19	MIS/ Student Financial Needs	Academic Excellence	Formative Assessment	Gifted/ Talented FY 15-16	Gifted/ Talented FY 16-17	Gifted/ Talented FY 17-18	Secured Schools Safety Grant
Cash and investments - beginning	\$ -	\$ 11,500	\$ -	\$ 589	\$ 3,950	\$ 1,095	\$ -	\$ 3,842	\$ -	\$ 1,783
Receipts:										
Local sources	-	-	12,000	300	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	18,608	-	-	31,620	-
Federal sources	-	-	-	-	3,500	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	12,000	300	3,500	18,608	-	-	31,620	-
Disbursements:										
Instruction	-	11,500	-	-	-	18,333	-	3,842	26,191	-
Support services	-	-	-	-	3,447	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	11,500	-	-	3,447	18,333	-	3,842	26,191	-
Excess (deficiency) of receipts over disbursements	-	(11,500)	12,000	300	53	275	-	(3,842)	5,429	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(11,500)	12,000	300	53	275	-	(3,842)	5,429	-
Cash and investments - ending	\$ -	\$ -	\$ 12,000	\$ 889	\$ 4,003	\$ 1,370	\$ -	\$ -	\$ 5,429	\$ 1,783

MANCHESTER 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

	NESP 16-17	School Technology	Career and Technical Performance Grant	Performance Based Awards	Performance Based Awards 17-18	Digital Learning	Title I FY 15-16	Title I FY 16-17	Title I FY 17-18
Cash and investments - beginning	\$ 217	\$ (1,056)	\$ -	\$ 1,912	\$ -	\$ -	\$ -	\$ (34,111)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	103,781	12,252	-	47,244	-	-	-	-
Federal sources	-	-	-	-	-	-	-	47,022	216,954
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	103,781	12,252	-	47,244	-	-	47,022	216,954
Disbursements:									
Instruction	217	-	2,910	-	47,244	-	-	1,754	186,306
Support services	-	99,877	-	-	-	-	-	11,157	35,407
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	217	99,877	2,910	-	47,244	-	-	12,911	221,713
Excess (deficiency) of receipts over disbursements	(217)	3,904	9,342	-	-	-	-	34,111	(4,759)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(217)	3,904	9,342	-	-	-	-	34,111	(4,759)
Cash and investments - ending	\$ -	\$ 2,848	\$ 9,342	\$ 1,912	\$ -	\$ -	\$ -	\$ -	\$ (4,759)

MANCHESTER 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, FY 16-17	Title II, FY 17-18	Title II, Part A FY 15-16	Rural and Low Income FY 15-16	Title III 14-16	Title III 15-17	Title III 16-18	Clearing	Totals
Cash and investments - beginning	\$ (1,429)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (305)	\$ 154,677	\$ 4,686,088
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,517,264
Intermediate sources	-	-	-	-	-	-	-	-	290
State sources	-	-	-	-	-	6,234	957	-	10,600,259
Federal sources	33,193	1,660	-	-	-	-	-	-	840,277
Temporary loans	-	-	-	-	-	-	-	-	1,000,000
Other receipts	-	-	-	-	-	-	-	2,808,916	2,820,602
Total receipts	33,193	1,660	-	-	-	6,234	957	2,808,916	19,778,692
Disbursements:									
Instruction	35,224	1,660	-	-	-	6,234	964	-	6,967,329
Support services	-	-	-	-	-	-	-	-	5,476,843
Noninstructional services	-	-	-	-	-	-	-	-	1,321,837
Facilities acquisition and construction	-	-	-	-	-	-	-	-	634,737
Debt service	-	-	-	-	-	-	-	-	2,574,231
Nonprogrammed charges	-	-	-	-	-	-	-	2,833,273	2,833,273
Total disbursements	35,224	1,660	-	-	-	6,234	964	2,833,273	19,808,250
Excess (deficiency) of receipts over disbursements	(2,031)	-	-	-	-	-	(7)	(24,357)	(29,558)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	606,803
Transfers out	-	-	-	-	-	-	-	-	(606,803)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,031)	-	-	-	-	-	(7)	(24,357)	(29,558)
Cash and investments - ending	\$ (3,460)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (312)	\$ 130,320	\$ 4,656,530

MANCHESTER 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>\$ 75,387</u>	<u>\$ -</u>

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Manchester Elementary School Building Corporation	Elementary School 2013	\$ 514,000	07/15/2013	01/15/2025
Manchester High School Building Corporation	High School 2012	510,000	07/01/1998	07/15/2019
Manchester High School Building Corporation	High School 2016	69,250	06/07/2016	07/15/2026
Crossroad Bank	School Bus Lease	42,662	04/12/2017	06/15/2022
Lenovo Financial	Chromebook Lease	<u>113,057</u>	07/07/2016	07/07/2019
Total of annual lease payments		<u>\$ 1,248,969</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Loans Payable	Common School Loan A0415	\$ 1,584,900	\$ 415,816
Loans Payable	Common School Loan A2735	58,527	17,266
General obligation bonds	Pension Retirement	<u>410,000</u>	<u>215,553</u>
Totals		<u>\$ 2,053,427</u>	<u>\$ 648,635</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Manchester Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 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 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

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


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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

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

The School Corporation's response to the internal control over compliance finding 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 4, 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.

MANCHESTER 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	FY 16-17	\$ -	\$ 86,606	\$ -	\$ -
			FY 17-18	-	-	-	87,351
Total - School Breakfast Program				-	86,606	-	87,351
National School Lunch Program	Indiana Department of Education	10.555	FY 16-17	-	410,934	-	-
School Lunch			FY 17-18	-	-	-	409,029
School Snack			FY 16-17	-	4,077	-	-
			FY 17-18	-	-	-	5,456
Commodities			FY 16-17	-	117,163	-	-
			FY 17-18	-	-	-	79,574
Total - National School Lunch Program				-	532,174	-	494,059
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 16-17	-	36,894	-	-
			FY 17-18	-	-	-	36,111
Total - Summer Food Service Program for Children				-	36,894	-	36,111
Total - Child Nutrition Cluster				-	655,674	-	617,521
Total - Department of Agriculture				-	655,674	-	617,521
<u>Department of Education</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	16-8045	-	68,803	-	-
			17-8045	-	233,087	-	47,022
			18-8045	-	-	-	216,954
Total - Title I Grants to Local Educational Agencies				-	301,890	-	263,976

MANCHESTER 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
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
			14215-058-PN01	-	5,117	-	-
			14216-056-PN01	-	179,758	-	22,488
			14217-056-PN01	-	233,478	-	160,093
			18611-056-PN01	-	-	-	216,556
				-	418,353	-	399,137
Total - Special Education Grants to States				-	418,353	-	399,137
Special Education Preschool Grants	Indiana Department of Education	84.173					
			45716-056-PN01	-	5,155	-	-
			45717-056-PN01	-	5,438	-	6,253
			18619-056-PN01	-	-	-	1,468
				-	10,593	-	7,721
Total - Special Education Preschool Grants				-	10,593	-	7,721
Total - Special Education Cluster (IDEA)				-	428,946	-	406,858
Rural Education	Indiana Department of Education	84.358	FY 15-16	-	29,282	-	-
English Language Acquisition State Grants	Indiana Department of Education	84.365					
			FY 15-16	-	4,257	-	-
			FY 16-17	-	3,098	-	6,234
			FY 17-18	-	125	-	957
				-	7,480	-	7,191
Total - English Language Acquisition State Grants				-	7,480	-	7,191
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
			16-8045	-	30,920	-	-
			17-8045	-	10,563	-	33,193
			18-8045	-	-	-	1,660
				-	41,483	-	34,853
Total - Supporting Effective Instruction State Grants				-	41,483	-	34,853
Total - Department of Education				-	809,081	-	712,878
Total federal awards expended				\$ -	\$ 1,464,755	\$ -	\$ 1,330,399

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

MANCHESTER 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, the activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in 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.

MANCHESTER COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

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

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

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified

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

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

**Section II - Financial Statement Findings**

No matters are reportable.

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2018-001**

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-058-PN01, 14216-056-PN01,  
14217-056-PN01, 18611-056-PN01,  
45716-056-PN01, 45717-056-PN01,  
18619-056-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Auditing 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 level of effort - maintenance of effort (MOE) requirements.

The School Corporation reported incorrect amounts on the MOE Compliance Standard Final Expenditures reports for the 2016-2017 and 2017-2018 school years. The Transportation Director's salary and related benefits were incorrectly included in both years. Special Education bus drivers' wages and related benefits were included in the 2016-2017 report, but not in the 2017-2018 report. Additionally, the 2017-2018 report included the salaries and related benefits for four counseling staff members; however, only one of the counselors was involved in the special education program.

When calculating the state and local expenditures for the special education program to meet the MOE requirements, the School Corporation did not use consistent categories of expenditure accounts from year to year. Acceptable documentation or explanations of the changes in categories were not provided.

*Context*

The lack of internal controls and noncompliance were systemic issues, which occurred 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). . . ."

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

34 CFR 300.203(b) states in part:

*"Compliance standard.*

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under IDEA, Part B must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
  - (i) Local funds only;
  - (ii) The combination of State and local funds;
  - (iii) Local funds only on a per capita basis; or
  - (iv) The combination of State and local funds on a per capita basis. . . ."

*Cause*

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the MOE requirements of the Matching, Level of Effort, Earmarking compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the MOE requirements of the Matching, Level of Effort, Earmarking compliance requirement.

*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 MOE requirements of the Matching, Level of Effort, Earmarking compliance requirement.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2016-001** (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 13-14  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A  
Contact Person Responsible for Corrective Action: Jeremy Markham  
Contact Phone Number: 260-982-7518

Status of Audit Finding:

This finding has been corrected through the internal controls that were implemented.

  
\_\_\_\_\_  
(Signature)

*Business Manager*  
\_\_\_\_\_  
(Title)

*1-16-2019*  
\_\_\_\_\_  
(Date)

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





SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2016-002** (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 15-16  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Jeremy Markham  
Contact Phone Number: 260-982-7518

Status of Audit Finding:

Based on the recommendation from the previous audit, MCS has established controls that collect and deposit monies from each building weekly. Also, segregation of duties, for additional verification by someone other than the preparer was put into place.

  
\_\_\_\_\_  
(Signature)

*Business Manager*  
\_\_\_\_\_  
(Title)

*1-16-2017*  
\_\_\_\_\_  
(Date)

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





SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2016-003** (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 13-14

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

Contact Person Responsible for Corrective Action: Jeremy Markham

Contact Phone Number: 260-982-7518

Status of Audit Finding:

Based on the recommendation from the previous audit; MCS has established controls that include cash management calculations, paid lunch equity calculations, annual financial reporting, segregation of duties, and monthly reimbursement claims. Internal control to ensure program income is properly determined in compliance with program requirements.

  
\_\_\_\_\_  
(Signature)

*Business Manager*  
\_\_\_\_\_  
(Title)

*1-16-2019*  
\_\_\_\_\_  
(Date)

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



## CORRECTIVE ACTION PLAN

### FINDING 2018-001

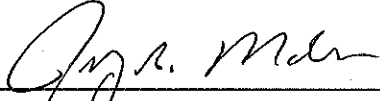
Contact person responsible for Corrective Action: Jeremy Markham/Kendra Miller  
Contact phone number: 260-982-7518

Views of Responsible Official: A proper system of internal control needs to be in place to prevent, or detect and correct, errors on the School Corporation Maintenance of Effort (MOE) requirement.

#### Description of Corrective Action Plan:

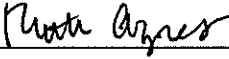
1. Segregation of duties will be in place at Manchester Community Schools in order to be in compliance to the MOE requirements.
2. Manchester Community Schools will not include the transportation director's salary/benefits, and will include the counseling staff salaries/benefits only if the counselor is involved with the special education program.
3. Manchester Community Schools will be consistent and include the special education bus drivers' salaries/benefits for each school year reported.

**ANTICIPATED COMPLETION DATE: FEBRUARY 18, 2019**

  
\_\_\_\_\_  
Signature

*Business Manager*  
\_\_\_\_\_  
Title

*3/4/19*  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature

*Board President*  
\_\_\_\_\_  
Title

*3/4/2019*  
\_\_\_\_\_  
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/>.