

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

FAIRFIELD COMMUNITY SCHOOLS
ELKHART COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/10/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marla J. Steffen	01-01-16 to 12-31-19
Superintendent of Schools	Dr. Steven W. Thalheimer Dr. Bruce N. Stahly (interim)	01-01-16 to 12-31-18 01-01-19 to 12-31-19
President of the School Board	Marilee Keim Wayne Miller Trent Hostetler Marilee Keim	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



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 10, 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

April 10, 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 FAIRFIELD 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 Fairfield 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 April 10, 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

April 10, 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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FAIRFIELD 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	\$ 2,649,316	\$ 13,242,488	\$ 12,335,327	\$ 893	\$ 3,557,370	\$ 13,506,724	\$ 13,772,709	\$ 1,423	\$ 3,292,808
Debt Service	1,531,850	3,002,095	3,067,957	(14,523)	1,451,465	3,231,232	3,187,771	(17,439)	1,477,487
Capital Projects	2,417,060	1,951,377	1,986,746	1,576	2,383,267	1,969,924	1,889,481	3,177	2,466,887
School Transportation	1,870,274	1,307,245	961,707	400	2,216,212	1,355,059	1,045,495	-	2,525,776
School Bus Replacement	252,531	272,699	411,490	8,800	122,540	293,310	94,544	-	321,306
Rainy Day	382,861	1,783	36,031	-	348,613	-	-	-	348,613
Post-Retirement/Severance Future Benefits	4,247,210	67,111	127,798	-	4,186,523	106,336	116,110	-	4,176,749
Construction - 2014 G/O Bonds	1,510	3	1,339	-	174	-	-	-	174
Construction	502,898	2,948	37,258	-	468,588	6,332	113,194	-	361,726
Construction -NPE	-	2,992	144,483	2,000,000	1,858,509	13,952	1,638,222	-	234,239
School Lunch	639,328	858,039	943,513	-	553,854	859,240	941,095	5	472,004
Textbook Rental	275,749	247,291	437,435	15,266	100,871	265,435	331,166	17,597	52,737
Self-Insurance	1,816,015	1,496,579	1,964,999	-	1,347,595	1,747,615	2,060,202	-	1,035,008
Educational License Plates	4,040	281	-	-	4,321	263	-	-	4,584
Lilly Grant	-	30,000	29,031	-	969	-	969	-	-
CCI Implementation Grant	-	-	-	-	-	211,075	47,229	-	163,846
Robotics Donation Fund	1,339	250	1,588	-	1	-	-	-	1
Benton Elementary Donation Fund	1,000	-	1,000	-	-	500	-	-	500
Fairfield Jr-Sr High Donation Fund	51,044	24,478	73,307	-	2,215	5	-	-	2,220
Millersburg Donation Fund	456	-	456	-	-	2,861	2,261	-	600
New Paris Donation Fund	427	-	-	-	427	635	288	-	774
Dairy Council Grant	-	-	-	-	-	2,300	522	-	1,778
Construction, Remodeling, and Equipping Buildings	744	-	-	-	744	-	-	-	744
United Way Grants	10	-	-	-	10	-	-	-	10
Korenstra Fund	9,095	10,000	15,192	-	3,903	15,631	13,061	-	6,473
Community Foundation--ETHOS	-	-	-	-	-	32,369	32,669	-	(300)
Community Foundation--Tech Coach	-	-	-	-	-	50,000	-	-	50,000
Formative Assessment	-	34,206	26,277	-	7,929	25,956	33,884	-	1
Instruction Support	119	33,624	33,743	-	-	33,478	30,719	-	2,759
Computer Consortium/Ed Tech Advance	-	-	-	-	-	214,056	214,056	-	-
Medicaid Reimbursement	39,863	27,326	15,673	-	51,516	23,037	17,450	-	57,103
Secured Schools Safety Grant	(12,500)	49,758	56,547	-	(19,289)	19,288	-	-	(1)
Non-English Speaking Programs	2,539	51,868	44,702	-	9,705	56,336	55,892	-	10,149
School Technology	2,244	10,628	8,724	-	4,148	14,250	12,728	-	5,670
Career and Technical Performance Grant	-	10,578	-	-	10,578	13,017	11,941	-	11,654
DWD Work Ethics Grant	-	1,066	1,066	-	-	8,354	21,037	-	(12,683)
Senator David Ford Technology	-	24,327	24,549	-	(222)	1,095	873	-	-
Title I 15-16	(34,871)	53,653	18,782	-	-	-	-	-	-
Title I 16-17	-	187,520	216,861	-	(29,341)	37,453	8,114	-	(2)
Title I 17-18	-	-	-	-	-	153,948	162,895	-	(8,947)
Special Ed IDEA Part B 15-16	(60,201)	110,206	50,006	-	(1)	-	-	-	(1)
Special Ed IDEA Part B 16-17	-	308,891	355,946	-	(47,055)	107,781	42,067	-	18,659
Special Ed IDEA Part B 17-18	-	-	-	-	-	324,486	387,090	-	(62,604)
Drug Free Schools	-	-	-	-	-	2,999	5,998	-	(2,999)
Improving Teacher Quality, No Child Left, Title II, Part A	(10,681)	66,725	52,216	-	3,828	21,081	30,557	-	(5,648)
Title III - English Proficiency Migrant	(673)	19,072	23,167	-	(4,768)	42,491	48,895	-	(11,172)
Title II Part B Math and Science Partnership	(53,163)	169,354	148,139	-	(31,948)	73,528	41,581	-	(1)
STEM Mentoring Grant	-	-	12,424	-	(12,424)	15,667	4,972	-	(1,729)
Clearing Accounts	72,927	2,974,588	3,054,422	-	(6,907)	2,992,084	2,990,538	-	(5,361)
School Lunch Clearing Accounts	20,698	530,655	530,540	-	20,813	507,221	504,561	-	23,473
Totals	\$ 16,621,058	\$ 27,181,704	\$ 27,250,441	\$ 2,012,412	\$ 18,564,733	\$ 28,358,404	\$ 29,912,836	\$ 4,763	\$ 17,015,064

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

FAIRFIELD 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.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

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

FAIRFIELD 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.

FAIRFIELD 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.

FAIRFIELD 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. Most were a result of grant funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2017 and 2018.

Note 8. Holding Corporation

The School Corporation has entered into four capital leases with the Fairfield Community Schools Building Corp (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 ended June 30, 2017, and June 30, 2018, totaled \$2,822,500 and \$2,808,500, respectively.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. *Other Postemployment Benefits*

The School Corporation provides health insurance benefits to eligible retirees and their spouses. 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.

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post-Retirement/ Severance Future Benefits	Construction - 2014 G/O Bonds	Construction
Cash and investments - beginning	\$ 2,649,316	\$ 1,531,850	\$ 2,417,060	\$ 1,870,274	\$ 252,531	\$ 382,861	\$ 4,247,210	\$ 1,510	\$ 502,898
Receipts:									
Local sources	310,824	3,002,095	1,911,168	1,307,245	272,699	1,783	67,111	3	2,948
Intermediate sources	223	-	-	-	-	-	-	-	-
State sources	12,890,589	-	40,209	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	40,852	-	-	-	-	-	-	-	-
Total receipts	13,242,488	3,002,095	1,951,377	1,307,245	272,699	1,783	67,111	3	2,948
Disbursements:									
Instruction	8,608,288	-	-	-	-	-	-	-	-
Support services	3,509,045	-	1,300,123	961,707	411,490	-	127,798	1,339	-
Noninstructional services	214,505	-	-	-	-	-	-	-	-
Facilities acquisition and construction	3,489	-	686,623	-	-	36,031	-	-	37,258
Debt service	-	3,067,957	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	12,335,327	3,067,957	1,986,746	961,707	411,490	36,031	127,798	1,339	37,258
Excess (deficiency) of receipts over disbursements	907,161	(65,862)	(35,369)	345,538	(138,791)	(34,248)	(60,687)	(1,336)	(34,310)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	893	-	1,576	400	8,800	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	(14,523)	-	-	-	-	-	-	-
Total other financing sources (uses)	893	(14,523)	1,576	400	8,800	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	908,054	(80,385)	(33,793)	345,938	(129,991)	(34,248)	(60,687)	(1,336)	(34,310)
Cash and investments - ending	\$ 3,557,370	\$ 1,451,465	\$ 2,383,267	\$ 2,216,212	\$ 122,540	\$ 348,613	\$ 4,186,523	\$ 174	\$ 468,588

FAIRFIELD 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 -NPE	School Lunch	Textbook Rental	Self- Insurance	Educational License Plates	Lily Grant	CCI Implementation Grant	Robotics Donation Fund	Benton Elementary Donation Fund
Cash and investments - beginning	\$ -	\$ 639,328	\$ 275,749	\$ 1,816,015	\$ 4,040	\$ -	\$ -	\$ 1,339	\$ 1,000
Receipts:									
Local sources	2,992	529,922	214,235	1,496,579	-	30,000	-	250	-
Intermediate sources	-	-	-	-	281	-	-	-	-
State sources	-	18,838	33,056	-	-	-	-	-	-
Federal sources	-	309,278	-	-	-	-	-	-	-
Other receipts	-	1	-	-	-	-	-	-	-
Total receipts	2,992	858,039	247,291	1,496,579	281	30,000	-	250	-
Disbursements:									
Instruction	-	-	-	-	-	-	-	1,588	-
Support services	-	-	437,435	16,297	-	29,031	-	-	-
Noninstructional services	-	943,513	-	-	-	-	-	-	-
Facilities acquisition and construction	144,483	-	-	-	-	-	-	-	1,000
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	1,948,702	-	-	-	-	-
Total disbursements	144,483	943,513	437,435	1,964,999	-	29,031	-	1,588	1,000
Excess (deficiency) of receipts over disbursements	(141,491)	(85,474)	(190,144)	(468,420)	281	969	-	(1,338)	(1,000)
Other financing sources (uses):									
Proceeds of long-term debt	2,000,000	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	743	-	-	-	-	-	-
Transfers in	-	-	14,523	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	2,000,000	-	15,266	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,858,509	(85,474)	(174,878)	(468,420)	281	969	-	(1,338)	(1,000)
Cash and investments - ending	\$ 1,858,509	\$ 553,854	\$ 100,871	\$ 1,347,595	\$ 4,321	\$ 969	\$ -	\$ 1	\$ -

FAIRFIELD 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

	Fairfield Jr-Sr High Donation Fund	Millersburg Donation Fund	New Paris Donation Fund	Dairy Council Grant	Construction, Remodeling, and Equipping Buildings	United Way Grants	Korenstra Fund	Community Foundation-- ETHOS	Community Foundation-- Tech Coach
Cash and investments - beginning	\$ 51,044	\$ 456	\$ 427	\$ -	\$ 744	\$ 10	\$ 9,095	\$ -	\$ -
Receipts:									
Local sources	14,478	-	-	-	-	-	10,000	-	-
Intermediate sources	10,000	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	24,478	-	-	-	-	-	10,000	-	-
Disbursements:									
Instruction	-	-	-	-	-	-	7,863	-	-
Support services	-	456	-	-	-	-	7,329	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	73,307	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	73,307	456	-	-	-	-	15,192	-	-
Excess (deficiency) of receipts over disbursements	(48,829)	(456)	-	-	-	-	(5,192)	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(48,829)	(456)	-	-	-	-	(5,192)	-	-
Cash and investments - ending	\$ 2,215	\$ -	\$ 427	\$ -	\$ 744	\$ 10	\$ 3,903	\$ -	\$ -

FAIRFIELD 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

	Formative Assessment	Instruction Support	Computer Consortium/ Ed Tech Advance	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	DWD Work Ethics Grant
Cash and investments - beginning	\$ -	\$ 119	\$ -	\$ 39,863	\$ (12,500)	\$ 2,539	\$ 2,244	\$ -	\$ -
Receipts:									
Local sources	7,929	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	26,277	33,624	-	27,326	49,758	51,868	10,628	10,578	1,066
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	34,206	33,624	-	27,326	49,758	51,868	10,628	10,578	1,066
Disbursements:									
Instruction	-	33,743	-	4,488	-	30,411	-	-	1,066
Support services	26,277	-	-	11,185	10,261	14,291	8,724	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	46,286	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	26,277	33,743	-	15,673	56,547	44,702	8,724	-	1,066
Excess (deficiency) of receipts over disbursements	7,929	(119)	-	11,653	(6,789)	7,166	1,904	10,578	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,929	(119)	-	11,653	(6,789)	7,166	1,904	10,578	-
Cash and investments - ending	\$ 7,929	\$ -	\$ -	\$ 51,516	\$ (19,289)	\$ 9,705	\$ 4,148	\$ 10,578	\$ -

FAIRFIELD 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

	Senator David Ford Technology	Title I 15-16	Title I 16-17	Title I 17-18	Special Ed IDEA Part B 15-16	Special Ed IDEA Part B 16-17	Special Ed IDEA Part B 17-18	Drug Free Schools	Improving Teacher Quality, No Child Left, Title II, Part A
Cash and investments - beginning	\$ -	\$ (34,871)	\$ -	\$ -	\$ (60,201)	\$ -	\$ -	\$ -	\$ (10,681)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	24,327	-	-	-	-	-	-	-	-
Federal sources	-	53,653	187,520	-	110,206	308,891	-	-	66,725
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	24,327	53,653	187,520	-	110,206	308,891	-	-	66,725
Disbursements:									
Instruction	-	16,446	216,861	-	26,559	260,742	-	-	-
Support services	24,549	2,336	-	-	15,093	94,629	-	-	51,481
Noninstructional services	-	-	-	-	8,354	575	-	-	735
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	24,549	18,782	216,861	-	50,006	355,946	-	-	52,216
Excess (deficiency) of receipts over disbursements	(222)	34,871	(29,341)	-	60,200	(47,055)	-	-	14,509
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(222)	34,871	(29,341)	-	60,200	(47,055)	-	-	14,509
Cash and investments - ending	\$ (222)	\$ -	\$ (29,341)	\$ -	\$ (1)	\$ (47,055)	\$ -	\$ -	\$ 3,828

FAIRFIELD 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 III - English Proficiency Migrant	Title II Part B Math and Science Partnership	STEM Mentoring Grant	Clearing Accounts	School Lunch Clearing Accounts	Totals
Cash and investments - beginning	\$ (673)	\$ (53,163)	\$ -	\$ 72,927	\$ 20,698	\$ 16,621,058
Receipts:						
Local sources	-	-	-	-	-	9,182,261
Intermediate sources	-	-	-	-	-	10,504
State sources	-	-	-	-	-	13,218,144
Federal sources	19,072	169,354	-	-	-	1,224,699
Other receipts	-	-	-	2,974,588	530,655	3,546,096
Total receipts	19,072	169,354	-	2,974,588	530,655	27,181,704
Disbursements:						
Instruction	3,061	-	4,105	-	-	9,215,221
Support services	20,106	148,139	6,661	-	-	7,235,782
Noninstructional services	-	-	-	-	-	1,167,682
Facilities acquisition and construction	-	-	1,658	-	-	1,030,135
Debt service	-	-	-	-	-	3,067,957
Nonprogrammed charges	-	-	-	3,054,422	530,540	5,533,664
Total disbursements	23,167	148,139	12,424	3,054,422	530,540	27,250,441
Excess (deficiency) of receipts over disbursements	(4,095)	21,215	(12,424)	(79,834)	115	(68,737)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	2,000,000
Sale of capital assets	-	-	-	-	-	12,412
Transfers in	-	-	-	-	-	14,523
Transfers out	-	-	-	-	-	(14,523)
Total other financing sources (uses)	-	-	-	-	-	2,012,412
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,095)	21,215	(12,424)	(79,834)	115	1,943,675
Cash and investments - ending	\$ (4,768)	\$ (31,948)	\$ (12,424)	\$ (6,907)	\$ 20,813	\$ 18,564,733

FAIRFIELD 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post-Retirement/ Severance Future Benefits	Construction - 2014 G/O Bonds	Construction
Cash and investments - beginning	\$ 3,557,370	\$ 1,451,465	\$ 2,383,267	\$ 2,216,212	\$ 122,540	\$ 348,613	\$ 4,186,523	\$ 174	\$ 468,588
Receipts:									
Local sources	423,114	3,231,232	1,963,781	1,354,059	293,310	-	106,336	-	6,332
Intermediate sources	223	-	-	-	-	-	-	-	-
State sources	13,081,039	-	70	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	2,348	-	6,073	1,000	-	-	-	-	-
Total receipts	13,506,724	3,231,232	1,969,924	1,355,059	293,310	-	106,336	-	6,332
Disbursements:									
Instruction	9,825,991	-	-	-	-	-	-	-	-
Support services	3,738,321	-	1,152,483	1,045,495	94,544	-	116,110	-	-
Noninstructional services	205,161	-	-	-	-	-	-	-	-
Facilities acquisition and construction	3,236	-	736,998	-	-	-	-	-	113,194
Debt service	-	3,187,771	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	13,772,709	3,187,771	1,889,481	1,045,495	94,544	-	116,110	-	113,194
Excess (deficiency) of receipts over disbursements	(265,985)	43,461	80,443	309,564	198,766	-	(9,774)	-	(106,862)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	1,423	-	3,177	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	(17,439)	-	-	-	-	-	-	-
Total other financing sources (uses)	1,423	(17,439)	3,177	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(264,562)	26,022	83,620	309,564	198,766	-	(9,774)	-	(106,862)
Cash and investments - ending	\$ 3,292,808	\$ 1,477,487	\$ 2,466,887	\$ 2,525,776	\$ 321,306	\$ 348,613	\$ 4,176,749	\$ 174	\$ 361,726

FAIRFIELD 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 -NPE	School Lunch	Textbook Rental	Self- Insurance	Educational License Plates	Lily Grant	CCI Implementation Grant	Robotics Donation Fund	Benton Elementary Donation Fund
Cash and investments - beginning	\$ 1,858,509	\$ 553,854	\$ 100,871	\$ 1,347,595	\$ 4,321	\$ 969	\$ -	\$ 1	\$ -
Receipts:									
Local sources	13,952	503,640	228,057	1,747,615	-	-	211,075	-	500
Intermediate sources	-	-	-	-	263	-	-	-	-
State sources	-	20,220	37,301	-	-	-	-	-	-
Federal sources	-	335,380	-	-	-	-	-	-	-
Other receipts	-	-	77	-	-	-	-	-	-
Total receipts	13,952	859,240	265,435	1,747,615	263	-	211,075	-	500
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	331,166	14,830	-	969	47,229	-	-
Noninstructional services	-	941,095	-	-	-	-	-	-	-
Facilities acquisition and construction	1,638,222	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	2,045,372	-	-	-	-	-
Total disbursements	1,638,222	941,095	331,166	2,060,202	-	969	47,229	-	-
Excess (deficiency) of receipts over disbursements	(1,624,270)	(81,855)	(65,731)	(312,587)	263	(969)	163,846	-	500
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	5	158	-	-	-	-	-	-
Transfers in	-	-	17,439	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	5	17,597	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,624,270)	(81,850)	(48,134)	(312,587)	263	(969)	163,846	-	500
Cash and investments - ending	\$ 234,239	\$ 472,004	\$ 52,737	\$ 1,035,008	\$ 4,584	\$ -	\$ 163,846	\$ 1	\$ 500

FAIRFIELD 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

	Fairfield Jr-Sr High Donation Fund	Millersburg Donation Fund	New Paris Donation Fund	Dairy Council Grant	Construction, Remodeling, and Equipping Buildings	United Way Grants	Korenstra Fund	Community Foundation-- ETHOS	Community Foundation-- Tech Coach
Cash and investments - beginning	\$ 2,215	\$ -	\$ 427	\$ -	\$ 744	\$ 10	\$ 3,903	\$ -	\$ -
Receipts:									
Local sources	5	2,861	635	-	-	-	10,000	-	-
Intermediate sources	-	-	-	2,300	-	-	-	32,369	50,000
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	5,631	-	-
Total receipts	5	2,861	635	2,300	-	-	15,631	32,369	50,000
Disbursements:									
Instruction	-	-	288	-	-	-	1,304	-	-
Support services	-	-	-	-	-	-	11,757	32,669	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	2,261	-	522	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	2,261	288	522	-	-	13,061	32,669	-
Excess (deficiency) of receipts over disbursements	5	600	347	1,778	-	-	2,570	(300)	50,000
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5	600	347	1,778	-	-	2,570	(300)	50,000
Cash and investments - ending	\$ 2,220	\$ 600	\$ 774	\$ 1,778	\$ 744	\$ 10	\$ 6,473	\$ (300)	\$ 50,000

FAIRFIELD 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

	Formative Assessment	Instruction Support	Computer Consortium/ Ed Tech Advance	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	DWD Work Ethics Grant
Cash and investments - beginning	\$ 7,929	\$ -	\$ -	\$ 51,516	\$ (19,289)	\$ 9,705	\$ 4,148	\$ 10,578	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	25,956	33,478	214,056	23,037	19,288	56,336	14,250	13,017	8,354
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	25,956	33,478	214,056	23,037	19,288	56,336	14,250	13,017	8,354
Disbursements:									
Instruction	-	29,483	-	6,716	-	38,171	-	8,152	20,039
Support services	33,884	1,236	214,056	10,734	-	17,721	12,728	-	998
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	3,789	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	33,884	30,719	214,056	17,450	-	55,892	12,728	11,941	21,037
Excess (deficiency) of receipts over disbursements	(7,928)	2,759	-	5,587	19,288	444	1,522	1,076	(12,683)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,928)	2,759	-	5,587	19,288	444	1,522	1,076	(12,683)
Cash and investments - ending	\$ 1	\$ 2,759	\$ -	\$ 57,103	\$ (1)	\$ 10,149	\$ 5,670	\$ 11,654	\$ (12,683)

FAIRFIELD 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

	Senator David Ford Technology	Title I 15-16	Title I 16-17	Title I 17-18	Special Ed IDEA Part B 15-16	Special Ed IDEA Part B 16-17	Special Ed IDEA Part B 17-18	Drug Free Schools	Improving Teacher Quality, No Child Left, Title II, Part A
Cash and investments - beginning	\$ (222)	\$ -	\$ (29,341)	\$ -	\$ (1)	\$ (47,055)	\$ -	\$ -	\$ 3,828
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	1,095	-	-	-	-	-	-	-	-
Federal sources	-	-	37,453	153,948	-	107,781	324,486	2,999	21,081
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	1,095	-	37,453	153,948	-	107,781	324,486	2,999	21,081
Disbursements:									
Instruction	-	-	6,519	161,455	-	14,825	322,762	-	-
Support services	873	-	1,595	1,440	-	9,670	64,328	5,998	27,630
Noninstructional services	-	-	-	-	-	17,572	-	-	2,927
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	873	-	8,114	162,895	-	42,067	387,090	5,998	30,557
Excess (deficiency) of receipts over disbursements	222	-	29,339	(8,947)	-	65,714	(62,604)	(2,999)	(9,476)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	222	-	29,339	(8,947)	-	65,714	(62,604)	(2,999)	(9,476)
Cash and investments - ending	\$ -	\$ -	\$ (2)	\$ (8,947)	\$ (1)	\$ 18,659	\$ (62,604)	\$ (2,999)	\$ (5,648)

FAIRFIELD 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 III - English Proficiency Migrant	Title II Part B Math and Science Partnership	STEM Mentoring Grant	Clearing Accounts	School Lunch Clearing Accounts	Totals
Cash and investments - beginning	\$ (4,768)	\$ (31,948)	\$ (12,424)	\$ (6,907)	\$ 20,813	\$ 18,564,733
Receipts:						
Local sources	-	-	-	-	-	10,096,504
Intermediate sources	-	-	-	-	-	85,155
State sources	-	-	-	-	-	13,547,497
Federal sources	42,491	73,528	15,667	-	-	1,114,814
Other receipts	-	-	-	2,992,084	507,221	3,514,434
Total receipts	42,491	73,528	15,667	2,992,084	507,221	28,358,404
Disbursements:						
Instruction	6,870	-	2,057	-	-	10,444,632
Support services	42,025	41,581	2,915	-	-	7,074,985
Noninstructional services	-	-	-	-	-	1,166,755
Facilities acquisition and construction	-	-	-	-	-	2,498,222
Debt service	-	-	-	-	-	3,187,771
Nonprogrammed charges	-	-	-	2,990,538	504,561	5,540,471
Total disbursements	48,895	41,581	4,972	2,990,538	504,561	29,912,836
Excess (deficiency) of receipts over disbursements	(6,404)	31,947	10,695	1,546	2,660	(1,554,432)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	4,763
Transfers in	-	-	-	-	-	17,439
Transfers out	-	-	-	-	-	(17,439)
Total other financing sources (uses)	-	-	-	-	-	4,763
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,404)	31,947	10,695	1,546	2,660	(1,549,669)
Cash and investments - ending	\$ (11,172)	\$ (1)	\$ (1,729)	\$ (5,361)	\$ 23,473	\$ 17,015,064

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Fairfield Community Schools Building Corp	Refunding Bonds Series 2009	\$ 497,500	4/30/2009	1/15/2020
Fairfield Community Schools Building Corp	Refunding Bonds Series 2012	1,734,500	11/13/2012	7/15/2028
Fairfield Community Schools Building Corp	Renovations--High School 2014	386,000	11/25/2014	1/15/2033
Fairfield Community Schools Building Corp	Renovations-MES/BES 2015	<u>234,000</u>	4/7/2015	1/15/2033
Total governmental activities		<u>2,852,000</u>		
Total of annual lease payments		<u>\$ 2,852,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	GOB - New Paris Renovations	\$ 1,785,000	\$ 524,449
General obligation bonds	Qualified School Construction Bonds	630,000	153,684
Notes and loans payable	Common School Fund Loan - Technology	<u>214,056</u>	<u>23,465</u>
Total governmental activities		<u>2,629,056</u>	<u>701,598</u>
Totals		<u>\$ 2,629,056</u>	<u>\$ 701,598</u>

FAIRFIELD 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	\$ 493,650
Buildings	66,628,807
Improvements other than buildings	691,058
Machinery, equipment, and vehicles	<u>6,441,596</u>
Total governmental activities	<u>74,255,111</u>
Total capital assets	<u><u>\$ 74,255,111</u></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 EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Fairfield 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.

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in item 2018-001 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Activities or Unallowable and Allowable Costs/Cost Principles that are applicable to the Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* 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 Special Education Cluster (IDEA) for the period of July 1, 2016 to June 30, 2018.

Unmodified Opinion on the Other 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 its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs 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 accompany Schedule of Findings and Questioned Costs as item 2018-002. 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.

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

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 2018-001 and 2018-002, that we consider to be material weaknesses.

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

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

April 10, 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.

FAIRFIELD 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					
Breakfast Reimbursement			FY 2017	\$ -	\$ 33,485	\$ -	\$ -
Breakfast Reimbursement			FY 2018	-	-	-	31,078
Total - School Breakfast Program				-	33,485	-	31,078
National School Lunch Program							
Lunch Reimbursement	Indiana Department of Education	10.555					
Commodities			FY 2017	-	275,793	-	-
Lunch Reimbursement			FY 2017	-	79,772	-	-
Commodities			FY 2018	-	-	-	304,302
Commodities			FY 2018	-	-	-	81,512
Total - National School Lunch Program				-	355,565	-	385,814
Total - Child Nutrition Cluster				-	389,050	-	416,892
Total - Department of Agriculture				-	389,050	-	416,892
<u>Department of Labor</u>							
WIOA Dislocated Worker Formula Grants	Indiana Department of Education	17.278					
DWD Work Ethic Distribution			AA283151655	-	1,066	-	8,354
Total - Department of Labor				-	1,066	-	8,354
<u>Department of Education</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I-4155			16-2155	-	53,653	-	-
Title I-4156			17-2155	-	187,520	-	37,453
Title I-4157			18-2155	-	-	-	153,948
Total - Title I Grants to Local Educational Agencies				-	241,173	-	191,401
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Part B-5205			14216-014-PN01	-	72,891	-	-
Special Education Part B-5206			14217-014-PN01	-	308,891	-	89,120
Special Education Part B-5207			18611-014-PN01	-	-	-	357,889
Total - Special Education Grants to States				-	381,782	-	447,009

FAIRFIELD 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 Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool Grants			45718-016-PN01	-	-	-	18,661
Total - Special Education Cluster (IDEA)				-	381,782	-	465,670
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III-6880			01115-017-PN01	-	3,674	-	-
Title III-6880			01116-017-PN01	-	-	-	2,719
Title III-6880			01117-016-PN01	-	15,398	-	13,255
Title III-6880			01118-015-PN01	-	-	-	26,517
Total - English Language Acquisition State Grants				-	19,072	-	42,491
Mathematics and Science Partnerships	Indiana Department of Education	84.366					
Math Science Partnership			S366B140015	-	88,231	-	-
Math Science Partnership			S366B160015	-	81,124	-	73,528
Total - Mathematics and Science Partnerships				-	169,355	-	73,528
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title IIA-6840			S367A150015	-	-	-	500
Title IIA-6840			S367A160013	-	408	-	12,202
Title IIA-6840			S367A170013	-	35,061	-	8,379
Title IIA-6840			S367A140013	-	31,256	-	-
Total - Supporting Effective Instruction State Grants				-	66,725	-	21,081
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IVA-5800			S424A170015	-	-	-	2,999
Total - Department of Education				-	878,107	-	797,170
Total federal awards expended				\$ -	\$ 1,268,223	\$ -	\$ 1,222,416

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

FAIRFIELD 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 the Elkhart County Special Education Cooperative (ECSEC), which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the ECSEC.

FAIRFIELD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
84.010	Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies	Qualified Unmodified

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

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

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-001

Subject: Special Education Grants to States - Activities Allowed
or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-014-PN01, 14217-014-PN01,
18611-014-PN01

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 numbers were 2016-004 and 2016-005.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation did not provide supporting documentation for compensation paid to Special Education employees from the Special Education grant funds. Timesheets were not presented for the federal grant portion of each employee's salary. As a result, the School Corporation paid wages totaling \$42,482 without proper supporting documentation.

Context

The lack of controls and the 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). . . ."

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

34 CFR 300.202(a) states:

"*General.* Amounts provided to the LEA under Part B of the Act—

- (1) Must be expended in accordance with the applicable provisions of this part;
- (2) Must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; and
- (3) Must be used to supplement State, local, and other Federal funds and not to supplant those funds."

34 CFR 300.208 states:

"(a) *Uses.* Notwithstanding §§ 300.202, 300.203(b), and 300.162(b), funds provided to an LEA under Part B of the Act may be used for the following activities:

- (1) *Services and aids that also benefit nondisabled children.* For the costs of special education and related services, and supplementary aids and services, provided in a regular class or other education-related setting to a child with a disability in accordance with the IEP of the child, even if one or more nondisabled children benefit from these services.
- (2) *Early intervening services.* To develop and implement coordinated, early intervening educational services in accordance with § 300.226.
- (3) *High cost special education and related services.* To establish and implement cost or risk sharing funds, consortia, or cooperatives for the LEA itself, or for LEAs working in a consortium of which the LEA is a part, to pay for high cost special education and related services.

(b) *Administrative case management.* An LEA may use funds received under Part B of the Act to purchase appropriate technology for recordkeeping, data collection, and related case management activities of teachers and related services personnel providing services described in the IEP of children with disabilities, that is needed for the implementation of those case management activities."

34 CFR 300.800 states:

"The Secretary provides grants under section 619 of the Act to assist States to provide special education and related services in accordance with Part B of the Act—

- (a) To children with disabilities aged three through five years; and
- (b) At a State's discretion, to two year-old children with disabilities who will turn three during the school year."

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.

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

These records must:

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and 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 remain 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.

Questioned Costs

The \$42,482 of the nurses' salaries allocated to the Special Education funds were considered questioned costs.

Recommendation

We recommended that the School Corporation's management establish a system of internal 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, which is part of this report.

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

FINDING 2018-002

Subject: Special Education Cluster (IDEA) - Reporting
Federal Agency: Department of Education
Federal Program: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14216-014-PN01, 14217-014-PN01,
18611-014-PN01, 45718-016PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit report. The prior audit finding number was 2016-008.

Condition

The Elkhart County Special Education Cooperative (ECSEC) is a public school program serving approximately 3,400 students with disabilities, ranging from 3 to 22 years old, in Elkhart County. The School Corporation is the administrator of the ECSEC. An effective internal control system was not in place at the School Corporation and the ECSEC in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The ECSEC failed to complete the required FY16 Final Report and Quarterly Proportionate Share Reports during the audit period for the member school corporations.

Context

The lack of 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). . . ."

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

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

Cause

The School Corporation and ECSEC had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Reporting 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 and ECSEC's management establish a system of internal controls related to the grant agreement and the Reporting compliance requirement.

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.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding initially occurred: 2016
Contact Person Responsible for Corrective Action: Philip Menzie
Contact Phone Number: (574) 831-2188

Status of Audit Finding:

Fairfield Community Schools initiated the Corrective Action Plan May 16, 2018, concerning procedures when entering expenditures into our Schedule of Expenditures of Federal Awards ("SEFA").

This is a report that is only submitted one time each year; in August when submitting the information as part of the SBoA's Annual Financial Report. In the summer of 2018, prior to my entering the information into Gateway, our Deputy Treasurer, Jill Erb, gathered together the information needed. Ms. Erb gave all of the information with supporting documentation to our Treasurer, Marla Steffen, to review and verify. After the Treasurer verification, but prior to my entering into Gateway, I also reviewed the information and documentation. At each step in the process, the worksheet was signed by the initiator/reviewer.

This Plan allows for heightened accuracy beyond what we had in place in prior years.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-002

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Philip Menzie
Contact Phone Number: (574) 831-2188

Status of Audit Finding:

Fairfield Community Schools initiated the Corrective Action Plan immediately after initiating the Plan.

This Plan was initiated to provide an additional layer of internal controls to the Title I process. Besides securing the proper signatures on all the appropriate reports by not only those who prepared the reports, but also by anyone who reviewed the reports, now as a step in the payroll review process every two (2) weeks, the Business Manager randomly checks the employees who should be paid from the Title I grant and confirms that they were paid out of the correct fund by using the appropriate distribution code. As another layer of oversight, the Deputy Treasurer reviews the Payroll Distribution Report each payroll cycle to be sure the proper amounts are being expended from the grant.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-003

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Philip Menzie
Contact Phone Number: (574) 831-2188

Status of Audit Finding:

Fairfield Community Schools initiated the Corrective Action Plan with the calculation of the Maintenance of Effort ("MOE") for the 2017-'18 school year.

Although there had never been a question about the accuracy of the MOE calculation, this Plan was initiated to provide an additional layer of internal controls to that process due to more stringent federal guidelines for all types of federal grants. Starting with the calculation and reporting for the 2017-'18 school year, the Business Manager had the MOE calculations reviewed and signed by a second person who had knowledge of how the calculations were performed.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-004

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Philip Menzie
Contact Phone Number: (574) 831-2188

Status of Audit Finding:

As stated in the original Corrective Action Plan, the audit that was completed in 2018 by the SBoA on the records of Fairfield Community Schools relative to special education programs and related grants found no deficiencies save for not having a review process in place for the MOE calculation. The issues that were found relative to special education and related grants involved activities of the administration of the Elkhart County Special Education Cooperative ("ECSEC"). While the member schools are responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related grants, it is a fact that the shortcomings documented in this finding are of an internal nature at the administrative school, Goshen Community Schools.

That said, the ECSEC operation has gone through some important transitions in the recent past ranging from different personnel to the decentralization of some of the programs. With these transitions has come a much enhanced level of internal controls and compliance with the Activities Allowed or Unallowed as it relates to the federal programs. As a part of the decentralization of the Cooperative, Fairfield Community Schools hired a Special Education Coordinator who has experience with not only federal programs, but the inner workings of ECSEC. To that end, the new Coordinator along with Fairfield's business office personnel have monitored, to the best of their abilities, the following of established guidelines and the related procedures that are in place by the administrative school (GCS).

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-005

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Philip Menzie
Contact Phone Number: (574) 831-2188

Status of Audit Finding:

As stated in the original Corrective Action Plan, the audit that was completed in 2018 by the SBoA on the records of Fairfield Community Schools relative to special education programs and related grants found no deficiencies save for not having a review process in place for the MOE calculation. The issues that were found relative to special education and related grants involved activities of the administration of the Elkhart County Special Education Cooperative (“ECSEC”). While the member schools are responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related grants, it is a fact that the shortcomings documented in this finding are of an internal nature at the administrative school, Goshen Community Schools.

That said, the ECSEC operation has gone through some important transitions in the recent past ranging from different personnel to the decentralization of some of the programs. With these transitions has come a much enhanced level of internal controls and compliance with the Allowable Costs/Cost Principles as it relates to the federal programs. As a part of the decentralization of the Cooperative, Fairfield Community Schools hired a Special Education Coordinator who has experience with not only federal programs, but the inner workings of ECSEC. To that end, the new Coordinator along with Fairfield’s business office personnel have monitored, to the best of their abilities, the following of established guidelines and the related procedures that are in place by the administrative school (GCS).

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-006

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Philip Menzie
Contact Phone Number: (574) 831-2188

Status of Audit Finding:

As stated in the original Corrective Action Plan, the audit that was completed in 2018 by the SBoA on the records of Fairfield Community Schools relative to special education programs and related grants found no deficiencies save for not having a review process in place for the MOE calculation. The issues that were found relative to special education and related grants involved activities of the administration of the Elkhart County Special Education Cooperative ("ECSEC"). While the member schools are responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related grants, it is a fact that the shortcomings documented in this finding are of an internal nature at the administrative school, Goshen Community Schools.

That said, the ECSEC operation has gone through some important transitions in the recent past ranging from different personnel to the decentralization of some of the programs. With these transitions has come a much enhanced level of internal controls and compliance with Cash Management as it relates to the federal programs. As a part of the decentralization of the Cooperative, Fairfield Community Schools hired a Special Education Coordinator who has experience with not only federal programs, but the inner workings of ECSEC. To that end, the new Coordinator along with Fairfield's business office personnel have monitored, to the best of their abilities, the following of established guidelines and the related procedures that are in place by the administrative school (GCS).

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-007

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Philip Menzie
Contact Phone Number: (574) 831-2188

Status of Audit Finding:

As stated in the original Corrective Action Plan, the audit that was completed in 2018 by the SBoA on the records of Fairfield Community Schools relative to special education programs and related grants found no deficiencies save for not having a review process in place for the MOE calculation. The issues that were found relative to special education and related grants involved activities of the administration of the Elkhart County Special Education Cooperative (“ECSEC”). While the member schools are responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related grants, it is a fact that the shortcomings documented in this finding are of an internal nature at the administrative school, Goshen Community Schools.

That said, the ECSEC operation has gone through some important transitions in the recent past ranging from different personnel to the decentralization of some of the programs. With these transitions has come a much enhanced level of internal controls and compliance with the Period of Performance as it relates to the federal programs. As a part of the decentralization of the Cooperative, Fairfield Community Schools hired a Special Education Coordinator who has experience with not only federal programs, but the inner workings of ECSEC. To that end, the new Coordinator along with Fairfield’s business office personnel have monitored, to the best of their abilities, the following of established guidelines and the related procedures that are in place by the administrative school (GCS).

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-008

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Philip Menzie
Contact Phone Number: (574) 831-2188

Status of Audit Finding:

As stated in the original Corrective Action Plan, the audit that was completed in 2018 by the SBoA on the records of Fairfield Community Schools relative to special education programs and related grants found no deficiencies save for not having a review process in place for the MOE calculation. The issues that were found relative to special education and related grants involved activities of the administration of the Elkhart County Special Education Cooperative (“ECSEC”). While the member schools are responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related grants, it is a fact that the shortcomings documented in this finding are of an internal nature at the administrative school, Goshen Community Schools.

That said, the ECSEC operation has gone through some important transitions in the recent past ranging from different personnel to the decentralization of some of the programs. With these transitions has come a much enhanced level of internal controls and compliance with the Reporting requirement as it relates to the federal programs. As a part of the decentralization of the Cooperative, Fairfield Community Schools hired a Special Education Coordinator who has experience with not only federal programs, but the inner workings of ECSEC. To that end, the new Coordinator along with Fairfield’s business office personnel have monitored, to the best of their abilities, the following of established guidelines and the related procedures that are in place by the administrative school (GCS).



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April 10, 2019

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Philip Menzie
Contact Phone Number: (574) 831-2188

Views of Responsible Official:

This finding relates to the fact that each year as a part of our Part B Special Education Grant, Fairfield Community Schools, knowing that many of our special education students are medically fragile and need the services of our school nurses often, has always assigned a portion (25%) of our elementary nurses' wages to the Special Education Grant. This practice dates back to prior to my employment at Fairfield in 2008. From 2008 to date, we have been audited by the State Board of Accounts five (5) separate times, and it has never been suggested that this practice was not legal. In addition, the practice has been reviewed by at least four (4) directors of the Special Education Cooperative ("ECSEC") and never questioned.

Description of Corrective Action Plan:

With the 2018-2019 Part B Special Education Grant all of the member schools of the Cooperative are using the grant to pay for their share of the total costs of the Cooperative along with their specific Cooperative costs. No longer are any Fairfield employees paid from the grant except for the teacher who services the non-public schools under the Proportionate Share category of the grant.

Anticipated Completion Date: September, 2018 (prior to the audit)

Philip R. Menzie
Signature

BUSINESS MANAGER
Title

4/10/2019
Date

Empowering a resilient, reflective, and responsible community to learn and lead boldly.



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April 10, 2019

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Philip Menzie
Contact Phone Number: (574) 831-2188

Views of Responsible Official:

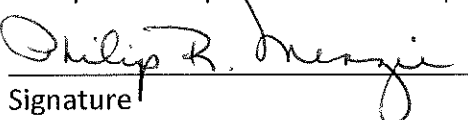
The Elkhart County Special Education Cooperative ("ECSEC") is a public school program serving students with disabilities in Elkhart County. Fairfield Community Schools is a participating member of the Cooperative. Goshen Community Schools is the administrator of the Cooperative.

While Fairfield Community Schools acknowledges that as a member of the Cooperative they, along with other member schools, are equally responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants, it should be stated that the shortcomings documented in this finding are of an internal nature at the administrative school (GCS). For the early part of the current audit period (July 1, 2016—June 30, 2018) there were some reports that either were not filed timely or not at all with the Indiana Department of Education. I find it interesting that the DOE would approve future years' grants if all of the proper reports for prior periods had not been filed.

Description of Corrective Action Plan:

In early 2016, there was a transition in some of the personnel at ECSEC. After the initial period of transitioning of duties, the operations at ECSEC have smoothed out with the personnel becoming much more confident and competent in their duties as they relate to report filing and grant applications with the DOE. After the early part of the audit period when there were some deficiencies in reporting, the processes have been corrected and reports have been filed timely. Fairfield Community Schools business office personnel and our Special Education Coordinator continue to follow established guidelines as we understand them, and also attempt to monitor the related procedures put in place by the LEA (Goshen Community Schools).

Anticipated Completion Date: March, 2019


Signature

BUSINESS MANAGER

Title

4/10/2019

Date

Empowering a resilient, reflective, and responsible community to learn and lead boldly.

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/>.