

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CENTRAL NOBLE COMMUNITY  
SCHOOL CORPORATION  
NOBLE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
05/14/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kimberly A. Schlotterback (Vacant) Miranda R. Wilkins	07-01-16 to 06-10-17 06-11-17 to 07-31-17 08-01-17 to 06-30-19
Superintendent of Schools	Alan C. Middleton Troy A. Gaff	07-01-16 to 12-31-16 01-01-17 to 06-30-19
President of the School Board	Rodney P. Stayner Eric J. Custer	07-01-16 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 CENTRAL NOBLE COMMUNITY  
SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

**Report on the Financial Statement**

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated April 8, 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 8, 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 CENTRAL NOBLE COMMUNITY  
SCHOOL CORPORATION, NOBLE 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 Central Noble Community School Corporation (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 8, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, that we consider to be material weaknesses.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002.

**Central Noble Community School Corporation's Response to Findings**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

April 8, 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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CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
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			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-16	Receipts	Disbursements		06-30-17	Receipts	Disbursements		
General	\$ 279,033	\$ 7,748,888	\$ 7,829,855	\$ 190	\$ 198,256	\$ 7,926,147	\$ 7,556,968	\$ 8,136	\$ 575,571
Debt Service	644,677	1,427,475	1,356,818	-	715,334	1,327,634	1,158,188	-	884,780
Retirement/Severance Bond Debt Service	79,303	131,247	131,257	-	79,293	124,663	130,752	-	73,204
Capital Projects	905,009	930,390	1,025,834	(300,000)	509,565	1,405,807	1,460,607	(185,000)	269,765
School Transportation	722,443	967,203	925,876	(400,000)	363,770	988,792	833,834	(400,000)	118,728
School Bus Replacement	52,763	189,507	246,487	-	(4,217)	235,729	172,852	(50,000)	8,660
Rainy Day	32,151	-	700,000	700,000	32,151	-	-	635,000	667,151
Construction	469,204	2,524	326,712	-	145,016	-	114,496	-	30,520
2018 GOB - Building Improvements	-	-	-	-	-	-	177,699	1,700,000	1,522,301
School Lunch	(23,568)	608,921	602,915	-	(17,562)	481,808	520,808	-	(56,562)
Textbook Rental	122,754	169,578	230,771	-	61,561	148,013	122,513	-	87,061
Self-Insurance	(629,206)	2,471,463	1,603,312	-	238,945	1,556,000	1,529,726	-	265,219
Educational License Plates	5,049	56	-	-	5,105	56	-	-	5,161
Alternative Education	5,947	5,636	11,583	-	-	7,343	-	-	7,343
Wolf Lake Comfortable Learning	-	-	-	-	-	2,000	1,986	-	14
2018 Donations	-	-	-	-	-	3,501	2,283	-	1,218
Donation	5,589	422	610	-	5,401	291	-	-	5,692
SY2016 - 17 Grants	4,900	132,952	82,281	-	55,571	1,903	44,377	(2,995)	10,102
SY2017 - 18 Grants	-	13,850	-	-	13,850	36,200	11,663	-	38,387
SY2018 - 19 Grants	-	-	-	-	-	34,575	8,188	-	26,387
Grants SY2009 - 10	3,552	-	3,552	-	-	-	-	-	-
Grants SY2008 - 09	1,403	-	1,403	-	-	-	-	-	-
SY2010 - 11 Grants	68	-	68	-	-	-	-	-	-
SY2011 - 12 Grants	484	-	182	-	302	-	302	-	-
SY2012 - 13 Grants	1	-	-	-	1	-	-	(1)	-
2017 - 18 Ott Grants	-	-	-	-	-	48,777	39,204	-	9,573
SY2013 - 14 Grants	7,974	-	2,881	-	5,093	-	228	-	4,865
SY2014 - 15 Grants	2,164	-	1,065	-	1,099	-	1,019	-	80
SY2015 - 16 Grants	57,012	90	35,164	-	21,938	-	3,967	-	17,971
Scholarships and Awards	1,179	-	-	-	1,179	-	-	-	1,179
Miscellaneous Programs	-	-	-	-	-	3,229	4,393	2,995	1,831
Formative Assessment	-	15,601	15,601	-	-	14,740	14,740	-	-
SY 2016 - 17 High Ability	-	29,881	24,488	-	5,393	-	2,579	-	2,814
SY 2017 - 18 High Ability	-	-	-	-	-	29,735	42,674	-	(12,939)
Gifted/Talented 2006 - 07	3,092	-	-	-	3,092	-	-	-	3,092
Tech Prep	10,616	-	10,616	-	-	-	-	-	-
2015 Common School Fund Loan	(124,210)	124,210	-	-	-	-	-	-	-
2016 Common School Fund Loan	-	106,965	106,965	-	-	-	-	-	-
Early Childhood Intervention (First Steps)	-	5,862	-	-	5,862	-	5,862	-	-
Secured Schools Safety Grant	(37,378)	27,935	34,715	-	(44,158)	27,934	18,491	-	(34,715)
Non-English Speaking Programs	1,128	-	-	-	1,128	-	-	-	1,128
School Technology	48,303	9,451	32,634	-	25,120	11,013	51,203	-	(15,070)
Career and Technical Performance Grant	-	13,873	2,097	-	11,776	-	9,836	-	1,940
2015 - 2016 Title I	(21,496)	75,605	54,109	-	-	-	-	-	-
2016 - 2017 Title I	-	103,742	128,178	-	(24,436)	58,175	33,739	-	-
2017 - 2018 Title I	-	-	-	-	-	97,974	106,278	-	(8,304)
CTE-DWD	-	-	-	-	-	14,340	1,673	-	12,667
2010 - 11 IN Career/Tech Ed PLTW	47	-	-	-	47	-	-	(47)	-
SY08 - 09 Title II Part A	5,125	-	-	-	5,125	-	-	(5,125)	-
SY2014 - 15 Title II	(27,096)	34,292	7,196	-	-	20,908	27,745	-	(6,837)
SY2015 - 16 Title II Part A	-	14,338	13,796	-	542	20,126	16,342	-	4,326
Title III - English Proficiency Migrant	467	-	-	-	467	-	-	(467)	-
In and Out Clearing	184,947	72,253	203,033	-	54,167	49,882	74,046	-	30,003
Food Service Trust	98,533	254,273	318,415	-	34,391	228,973	205,116	-	58,248
Payroll Withholdings	369,296	1,869,659	2,169,680	-	69,275	1,813,208	1,886,286	-	(3,803)
<b>Totals</b>	<b>\$ 3,261,259</b>	<b>\$ 17,558,142</b>	<b>\$ 18,240,149</b>	<b>\$ 190</b>	<b>\$ 2,579,442</b>	<b>\$ 16,719,476</b>	<b>\$ 16,392,663</b>	<b>\$ 1,702,496</b>	<b>\$ 4,608,751</b>

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

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
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.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

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

**E. Disbursements**

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

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

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

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

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

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

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

**F. Other Financing Sources and Uses**

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

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

*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.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

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

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

**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

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

**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. Negative balances in grant funds are primarily due to the funds being set up for reimbursable grants. The cash deficits were the result of disbursements exceeding receipts due to timing delays in reimbursements being received from grantors; these deficits are to be repaid from future grant receipts. The School Bus Replacement, School Lunch, and Payroll Withholdings funds cash balance deficits are a result of disbursing more funds than received.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 8. *Holding Corporations***

The School Corporation has entered into a capital lease with Central Noble School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years ending June 30, 2017 and 2018, totaled \$404,474 and \$402,912, respectively.

The School Corporation has entered into capital leases with Central Noble 2012 Building Projects Inc. (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 ending June 30, 2017 and 2018, totaled \$829,000 and \$728,750, respectively.

**Note 9. *Other Postemployment Benefit***

The School Corporation provides to eligible retirees the following benefit: as compensation and with teacher's final pay, the School Corporation pays a teacher for accumulated sick leave at the rate of sixty dollars (\$60) per day; provided the teacher meets specific criteria. This benefit poses a liability to the School Corporation for this year and in future years. Information regarding the benefit 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.

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	2018 GOB - Building Improvements	School Lunch
Cash and investments - beginning	\$ 279,033	\$ 644,677	\$ 79,303	\$ 905,009	\$ 722,443	\$ 52,763	\$ 32,151	\$ 469,204	\$ -	\$ (23,568)
Receipts:										
Local sources	151,620	1,427,475	131,247	930,390	967,203	189,507	-	2,524	-	321,431
Intermediate sources	12	-	-	-	-	-	-	-	-	-
State sources	7,597,256	-	-	-	-	-	-	-	-	6,061
Federal sources	-	-	-	-	-	-	-	-	-	281,429
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>7,748,888</u>	<u>1,427,475</u>	<u>131,247</u>	<u>930,390</u>	<u>967,203</u>	<u>189,507</u>	<u>-</u>	<u>2,524</u>	<u>-</u>	<u>608,921</u>
Disbursements:										
Instruction	4,732,548	-	-	-	-	-	700,000	-	-	-
Support services	2,932,358	-	-	671,529	925,876	246,487	-	-	-	258
Noninstructional services	163,491	-	-	-	-	-	-	-	-	602,657
Facilities acquisition and construction	1,458	-	-	354,305	-	-	-	326,712	-	-
Debt service	-	1,356,818	131,257	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>7,829,855</u>	<u>1,356,818</u>	<u>131,257</u>	<u>1,025,834</u>	<u>925,876</u>	<u>246,487</u>	<u>700,000</u>	<u>326,712</u>	<u>-</u>	<u>602,915</u>
Excess (deficiency) of receipts over disbursements	<u>(80,967)</u>	<u>70,657</u>	<u>(10)</u>	<u>(95,444)</u>	<u>41,327</u>	<u>(56,980)</u>	<u>(700,000)</u>	<u>(324,188)</u>	<u>-</u>	<u>6,006</u>
Other financing sources (uses):										
Sale of capital assets	190	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	700,000	-	-	-
Transfers out	-	-	-	(300,000)	(400,000)	-	-	-	-	-
Total other financing sources (uses)	<u>190</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>(400,000)</u>	<u>-</u>	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(80,777)</u>	<u>70,657</u>	<u>(10)</u>	<u>(395,444)</u>	<u>(358,673)</u>	<u>(56,980)</u>	<u>-</u>	<u>(324,188)</u>	<u>-</u>	<u>6,006</u>
Cash and investments - ending	<u>\$ 198,256</u>	<u>\$ 715,334</u>	<u>\$ 79,293</u>	<u>\$ 509,565</u>	<u>\$ 363,770</u>	<u>\$ (4,217)</u>	<u>\$ 32,151</u>	<u>\$ 145,016</u>	<u>\$ -</u>	<u>\$ (17,562)</u>

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2017

	Textbook Rental	Self- Insurance	Educational License Plates	Alternative Education	Wolf Lake Comfortable Learning	2018 Donations	Donation	SY2016 - 17 Grants	SY2017 - 18 Grants	SY2018 - 19 Grants
Cash and investments - beginning	\$ 122,754	\$ (629,206)	\$ 5,049	\$ 5,947	\$ -	\$ -	\$ 5,589	\$ 4,900	\$ -	\$ -
Receipts:										
Local sources	31,596	2,374,115	-	-	-	-	422	132,952	13,850	-
Intermediate sources	-	-	56	-	-	-	-	-	-	-
State sources	137,982	-	-	5,636	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	97,348	-	-	-	-	-	-	-	-
Total receipts	<u>169,578</u>	<u>2,471,463</u>	<u>56</u>	<u>5,636</u>	<u>-</u>	<u>-</u>	<u>422</u>	<u>132,952</u>	<u>13,850</u>	<u>-</u>
Disbursements:										
Instruction	-	-	-	11,583	-	-	87	58,481	-	-
Support services	230,771	-	-	-	-	-	523	23,800	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	1,603,312	-	-	-	-	-	-	-	-
Total disbursements	<u>230,771</u>	<u>1,603,312</u>	<u>-</u>	<u>11,583</u>	<u>-</u>	<u>-</u>	<u>610</u>	<u>82,281</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(61,193)</u>	<u>868,151</u>	<u>56</u>	<u>(5,947)</u>	<u>-</u>	<u>-</u>	<u>(188)</u>	<u>50,671</u>	<u>13,850</u>	<u>-</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(61,193)</u>	<u>868,151</u>	<u>56</u>	<u>(5,947)</u>	<u>-</u>	<u>-</u>	<u>(188)</u>	<u>50,671</u>	<u>13,850</u>	<u>-</u>
Cash and investments - ending	<u>\$ 61,561</u>	<u>\$ 238,945</u>	<u>\$ 5,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,401</u>	<u>\$ 55,571</u>	<u>\$ 13,850</u>	<u>\$ -</u>

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

	Grants SY2009 - 10	Grants SY2008 - 09	SY2010 - 11 Grants	SY2011 - 12 Grants	SY2012 - 13 Grants	2017 - 18 Ott Grants	SY2013 - 14 Grants	SY2014 - 15 Grants	SY2015 - 16 Grants	Scholarships and Awards
Cash and investments - beginning	\$ 3,552	\$ 1,403	\$ 68	\$ 484	\$ 1	\$ -	\$ 7,974	\$ 2,164	\$ 57,012	\$ 1,179
Receipts:										
Local sources	-	-	-	-	-	-	-	-	90	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	-	90	-
Disbursements:										
Instruction	120	1,163	68	182	-	-	2,376	1,065	33,256	-
Support services	3,432	240	-	-	-	-	505	-	1,908	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	3,552	1,403	68	182	-	-	2,881	1,065	35,164	-
Excess (deficiency) of receipts over disbursements	(3,552)	(1,403)	(68)	(182)	-	-	(2,881)	(1,065)	(35,074)	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,552)	(1,403)	(68)	(182)	-	-	(2,881)	(1,065)	(35,074)	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 302	\$ 1	\$ -	\$ 5,093	\$ 1,099	\$ 21,938	\$ 1,179

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2017

	Miscellaneous Programs	Formative Assessment	SY 2016 - 17 High Ability	SY 2017 - 18 High Ability	Gifted/Talented 2006 - 07	Tech Prep	2015 Common School Fund Loan	2016 Common School Fund Loan	Early Childhood Intervention (First Steps)	Secured Schools Safety Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 3,092	\$ 10,616	\$ (124,210)	\$ -	\$ -	\$ (37,378)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	15,601	29,881	-	-	-	-	-	5,862	27,935
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	124,210	106,965	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	15,601	29,881	-	-	-	124,210	106,965	5,862	27,935
Disbursements:										
Instruction	-	-	24,488	-	-	10,616	-	-	-	-
Support services	-	15,601	-	-	-	-	-	106,965	-	34,715
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	15,601	24,488	-	-	10,616	-	106,965	-	34,715
Excess (deficiency) of receipts over disbursements	-	-	5,393	-	-	(10,616)	124,210	-	5,862	(6,780)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	5,393	-	-	(10,616)	124,210	-	5,862	(6,780)
Cash and investments - ending	\$ -	\$ -	\$ 5,393	\$ -	\$ 3,092	\$ -	\$ -	\$ -	\$ 5,862	\$ (44,158)

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2017

	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	2015 - 2016 Title I	2016 - 2017 Title I	2017 - 2018 Title I	CTE-DWD	2010 - 11 IN Career/Tech Ed PLTW	SY08 - 09 Title II Part A	SY2014 - 15 Title II
Cash and investments - beginning	\$ 1,128	\$ 48,303	\$ -	\$ (21,496)	\$ -	\$ -	\$ -	\$ 47	\$ 5,125	\$ (27,096)
Receipts:										
Local sources	-	983	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	8,468	13,873	-	-	-	-	-	-	-
Federal sources	-	-	-	75,605	103,742	-	-	-	-	34,292
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	9,451	13,873	75,605	103,742	-	-	-	-	34,292
Disbursements:										
Instruction	-	-	-	47,326	111,510	-	-	-	-	-
Support services	-	30,096	2,097	6,783	16,668	-	-	-	-	7,196
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	2,538	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	32,634	2,097	54,109	128,178	-	-	-	-	7,196
Excess (deficiency) of receipts over disbursements	-	(23,183)	11,776	21,496	(24,436)	-	-	-	-	27,096
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(23,183)	11,776	21,496	(24,436)	-	-	-	-	27,096
Cash and investments - ending	\$ 1,128	\$ 25,120	\$ 11,776	\$ -	\$ (24,436)	\$ -	\$ -	\$ 47	\$ 5,125	\$ -

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2017

	SY2015 - 16 Title II Part A	Title III - English Proficiency Migrant	In and Out Clearing	Food Service Trust	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ 467	\$ 184,947	\$ 98,533	\$ 369,296	\$ 3,261,259
Receipts:						
Local sources	279	-	-	-	-	6,675,684
Intermediate sources	-	-	-	-	-	68
State sources	-	-	-	-	-	7,848,555
Federal sources	14,059	-	-	-	-	509,127
Temporary loans	-	-	-	-	-	231,175
Other receipts	-	-	72,253	254,273	1,869,659	2,293,533
Total receipts	14,338	-	72,253	254,273	1,869,659	17,558,142
Disbursements:						
Instruction	-	-	-	-	-	5,734,869
Support services	13,796	-	-	-	-	5,271,604
Noninstructional services	-	-	-	-	-	766,148
Facilities acquisition and construction	-	-	-	-	-	685,013
Debt service	-	-	-	-	-	1,488,075
Nonprogrammed charges	-	-	203,033	318,415	2,169,680	4,294,440
Total disbursements	13,796	-	203,033	318,415	2,169,680	18,240,149
Excess (deficiency) of receipts over disbursements	542	-	(130,780)	(64,142)	(300,021)	(682,007)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	190
Transfers in	-	-	-	-	-	700,000
Transfers out	-	-	-	-	-	(700,000)
Total other financing sources (uses)	-	-	-	-	-	190
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	542	-	(130,780)	(64,142)	(300,021)	(681,817)
Cash and investments - ending	\$ 542	\$ 467	\$ 54,167	\$ 34,391	\$ 69,275	\$ 2,579,442

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2018

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	2018 GOB - Building Improvements	School Lunch
Cash and investments - beginning	\$ 198,256	\$ 715,334	\$ 79,293	\$ 509,565	\$ 363,770	\$ (4,217)	\$ 32,151	\$ 145,016	\$ -	\$ (17,562)
Receipts:										
Local sources	136,312	1,327,634	124,663	1,405,807	984,295	235,729	-	-	-	212,045
Intermediate sources	18	-	-	-	-	-	-	-	-	-
State sources	7,789,817	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	269,763
Other receipts	-	-	-	-	4,497	-	-	-	-	-
Total receipts	7,926,147	1,327,634	124,663	1,405,807	988,792	235,729	-	-	-	481,808
Disbursements:										
Instruction	4,804,743	-	-	-	-	-	-	-	-	-
Support services	2,581,023	-	-	1,015,438	833,834	172,852	-	-	-	-
Noninstructional services	166,877	-	-	-	-	-	-	-	-	520,808
Facilities acquisition and construction	392	-	-	445,169	-	-	-	114,496	177,699	-
Debt service	-	1,158,188	130,752	-	-	-	-	-	-	-
Nonprogrammed charges	3,933	-	-	-	-	-	-	-	-	-
Total disbursements	7,556,968	1,158,188	130,752	1,460,607	833,834	172,852	-	114,496	177,699	520,808
Excess (deficiency) of receipts over disbursements	369,179	169,446	(6,089)	(54,800)	154,958	62,877	-	(114,496)	(177,699)	(39,000)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	1,700,000	-
Sale of capital assets	2,496	-	-	-	-	-	-	-	-	-
Transfers in	5,640	-	-	-	-	-	635,000	-	-	-
Transfers out	-	-	-	(185,000)	(400,000)	(50,000)	-	-	-	-
Total other financing sources (uses)	8,136	-	-	(185,000)	(400,000)	(50,000)	635,000	-	1,700,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	377,315	169,446	(6,089)	(239,800)	(245,042)	12,877	635,000	(114,496)	1,522,301	(39,000)
Cash and investments - ending	\$ 575,571	\$ 884,780	\$ 73,204	\$ 269,765	\$ 118,728	\$ 8,660	\$ 667,151	\$ 30,520	\$ 1,522,301	\$ (56,562)

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Textbook Rental	Self- Insurance	Educational License Plates	Alternative Education	Wolf Lake Comfortable Learning	2018 Donations	Donation	SY2016 - 17 Grants	SY2017 - 18 Grants	SY2018 - 19 Grants
Cash and investments - beginning	\$ 61,561	\$ 238,945	\$ 5,105	\$ -	\$ -	\$ -	\$ 5,401	\$ 55,571	\$ 13,850	\$ -
Receipts:										
Local sources	109,925	1,448,112	-	-	2,000	3,501	291	1,903	36,200	34,575
Intermediate sources	-	-	56	-	-	-	-	-	-	-
State sources	38,088	-	-	7,343	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	107,888	-	-	-	-	-	-	-	-
Total receipts	148,013	1,556,000	56	7,343	2,000	3,501	291	1,903	36,200	34,575
Disbursements:										
Instruction	-	-	-	-	1,986	2,283	-	35,446	11,516	8,188
Support services	122,513	1,189,032	-	-	-	-	-	8,931	147	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	340,694	-	-	-	-	-	-	-	-
Total disbursements	122,513	1,529,726	-	-	1,986	2,283	-	44,377	11,663	8,188
Excess (deficiency) of receipts over disbursements	25,500	26,274	56	7,343	14	1,218	291	(42,474)	24,537	26,387
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	61,329	-	-	-	-	-	-	-	-
Transfers out	-	(61,329)	-	-	-	-	-	(2,995)	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(2,995)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	25,500	26,274	56	7,343	14	1,218	291	(45,469)	24,537	26,387
Cash and investments - ending	\$ 87,061	\$ 265,219	\$ 5,161	\$ 7,343	\$ 14	\$ 1,218	\$ 5,692	\$ 10,102	\$ 38,387	\$ 26,387

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

	Grants SY2009 - 10	Grants SY2008 - 09	SY2010 - 11 Grants	SY2011 - 12 Grants	SY2012 - 13 Grants	2017 - 18 Ott Grants	SY2013 - 14 Grants	SY2014 - 15 Grants	SY2015 - 16 Grants	Scholarships and Awards
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 302	\$ 1	\$ -	\$ 5,093	\$ 1,099	\$ 21,938	\$ 1,179
Receipts:										
Local sources	-	-	-	-	-	48,777	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	48,777	-	-	-	-
Disbursements:										
Instruction	-	-	-	302	-	39,204	177	1,019	2,090	-
Support services	-	-	-	-	-	-	51	-	1,877	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	302	-	39,204	228	1,019	3,967	-
Excess (deficiency) of receipts over disbursements	-	-	-	(302)	-	9,573	(228)	(1,019)	(3,967)	-
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(1)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(1)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(302)	(1)	9,573	(228)	(1,019)	(3,967)	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,573	\$ 4,865	\$ 80	\$ 17,971	\$ 1,179

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

	Miscellaneous Programs	Formative Assessment	SY 2016 - 17 High Ability	SY 2017 - 18 High Ability	Gifted/ Talented 2006 - 07	Tech Prep	2015 Common School Fund Loan	2016 Common School Fund Loan	Early Childhood Intervention (First Steps)	Secured Schools Safety Grant
Cash and investments - beginning	\$ -	\$ -	\$ 5,393	\$ -	\$ 3,092	\$ -	\$ -	\$ -	\$ 5,862	\$ (44,158)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	14,740	-	-	-	-	-	-	-	-
State sources	-	-	-	29,735	-	-	-	-	-	27,934
Federal sources	3,229	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>3,229</u>	<u>14,740</u>	<u>-</u>	<u>29,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,934</u>
Disbursements:										
Instruction	-	-	2,579	42,674	-	-	-	-	5,862	-
Support services	4,393	14,740	-	-	-	-	-	-	-	18,491
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>4,393</u>	<u>14,740</u>	<u>2,579</u>	<u>42,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,862</u>	<u>18,491</u>
Excess (deficiency) of receipts over disbursements	<u>(1,164)</u>	<u>-</u>	<u>(2,579)</u>	<u>(12,939)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,862)</u>	<u>9,443</u>
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	2,995	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>2,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,831</u>	<u>-</u>	<u>(2,579)</u>	<u>(12,939)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,862)</u>	<u>9,443</u>
Cash and investments - ending	<u>\$ 1,831</u>	<u>\$ -</u>	<u>\$ 2,814</u>	<u>\$ (12,939)</u>	<u>\$ 3,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,715)</u>

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

	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	2015 - 2016 Title I	2016 - 2017 Title I	2017 - 2018 Title I	CTE-DWD	2010 - 11 IN Career/Tech Ed PLTW	SY08 - 09 Title II Part A	SY2014 - 15 Title II
Cash and investments - beginning	\$ 1,128	\$ 25,120	\$ 11,776	\$ -	\$ (24,436)	\$ -	\$ -	\$ 47	\$ 5,125	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	11,013	-	-	-	-	14,340	-	-	-
Federal sources	-	-	-	-	58,175	97,974	-	-	-	20,908
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	11,013	-	-	58,175	97,974	14,340	-	-	20,908
Disbursements:										
Instruction	-	22,440	-	-	31,391	106,205	1,673	-	-	-
Support services	-	28,579	9,836	-	2,348	73	-	-	-	27,745
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	184	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	51,203	9,836	-	33,739	106,278	1,673	-	-	27,745
Excess (deficiency) of receipts over disbursements	-	(40,190)	(9,836)	-	24,436	(8,304)	12,667	-	-	(6,837)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(47)	(5,125)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(47)	(5,125)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(40,190)	(9,836)	-	24,436	(8,304)	12,667	(47)	(5,125)	(6,837)
Cash and investments - ending	\$ 1,128	\$ (15,070)	\$ 1,940	\$ -	\$ -	\$ (8,304)	\$ 12,667	\$ -	\$ -	\$ (6,837)

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

	SY2015 - 16 Title II Part A	Title III - English Proficiency Migrant	In and Out Clearing	Food Service Trust	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 542	\$ 467	\$ 54,167	\$ 34,391	\$ 69,275	\$ 2,579,442
Receipts:						
Local sources	49	-	-	-	-	6,111,818
Intermediate sources	-	-	-	-	-	14,814
State sources	-	-	-	-	-	7,918,270
Federal sources	20,077	-	-	-	-	470,126
Other receipts	-	-	49,882	228,973	1,813,208	2,204,448
Total receipts	20,126	-	49,882	228,973	1,813,208	16,719,476
Disbursements:						
Instruction	-	-	-	-	-	5,119,778
Support services	16,342	-	-	-	-	6,048,245
Noninstructional services	-	-	-	-	-	687,685
Facilities acquisition and construction	-	-	-	-	-	737,940
Debt service	-	-	-	-	-	1,288,940
Nonprogrammed charges	-	-	74,046	205,116	1,886,286	2,510,075
Total disbursements	16,342	-	74,046	205,116	1,886,286	16,392,663
Excess (deficiency) of receipts over disbursements	3,784	-	(24,164)	23,857	(73,078)	326,813
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	1,700,000
Sale of capital assets	-	-	-	-	-	2,496
Transfers in	-	-	-	-	-	704,964
Transfers out	-	(467)	-	-	-	(704,964)
Total other financing sources (uses)	-	(467)	-	-	-	1,702,496
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,784	(467)	(24,164)	23,857	(73,078)	2,029,309
Cash and investments - ending	\$ 4,326	\$ -	\$ 30,003	\$ 58,248	\$ (3,803)	\$ 4,608,751

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CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Central Noble School Building Corporation	Guaranteed Energy Savings Contract	\$ 435,000	6/30/2011	12/31/2019
Central Noble 2012 Building Projects Inc.	Central Noble High School and Middle School Project	410,275	6/30/2013	12/31/2023
Central Noble 2012 Building Projects Inc.	Albion Elementary School Project	202,450	6/30/2013	12/31/2023
Central Noble 2012 Building Projects Inc.	Central Noble Jr/Sr High School Project	<u>202,450</u>	6/30/2016	6/30/2034
Total of annual lease payments		<u>\$ 1,250,175</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Amended Taxable GO Pension Bonds of 2003	\$ 707,387	\$ 127,892
General obligation bonds	General Obligation Bonds of 2013	425,000	12,915
General obligation bonds	General Obligation Bonds of 2018	1,700,000	-
Notes and loans payable	Common School Fund Technology Advancement Loan #A2096	84,465	24,917
Notes and loans payable	Common School Fund Technology Advancement Loan #A2841	<u>96,268</u>	<u>22,302</u>
Totals		<u>\$ 3,013,120</u>	<u>\$ 188,026</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE CENTRAL NOBLE COMMUNITY  
SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

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

We have audited the Central Noble Community School Corporation's (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.

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

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018.

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, and 2018-009. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, and 2018-009, that we consider to be material weaknesses.

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

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

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

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

April 8, 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.

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CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2017 and 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY 2016-17	\$ -	\$ 41,096	\$ -	\$ -
			FY 2017-18	-	-	-	37,766
Total - School Breakfast Program				-	41,096	-	37,766
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch			FY 2016-17	-	240,333	-	-
			FY 2017-18	-	-	-	217,884
School Lunch Commodities			FY 2016-17	-	48,586	-	-
			FY 2017-18	-	-	-	45,447
Total - National School Lunch Program				-	288,919	-	263,331
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program			FY 2017-18	-	-	-	14,032
Total - Summer Food Service Program for Children				-	-	-	14,032
Total - Child Nutrition Cluster				-	330,015	-	315,129
Total - Department of Agriculture				-	330,015	-	315,129
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education			14216-044-PN01	-	48,218	-	-
			14217-044-PN01	-	230,033	-	38,870
			18611-044-PN01	-	-	-	231,652
Total - Special Education Grants to States				-	278,251	-	270,522
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education			45717-044-PN01	-	6,008	-	-
			18619-044-PN01	-	-	-	5,850
Total - Special Education Preschool Grants				-	6,008	-	5,850
Total - Special Education Cluster (IDEA)				-	284,259	-	276,372
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			16-6055	-	97,887	-	-
			17-6055	-	81,460	-	100,552
			18-6055	-	-	-	55,598
Total - Title I Grants to Local Educational Agencies				-	179,347	-	156,150
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
			14-6055	-	34,292	-	-
			15-6055	-	14,059	-	20,077
			16-6055	-	-	-	20,909
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	48,351	-	40,986
Total - Department of Education				-	511,957	-	473,508
Total federal awards expended				\$ -	\$ 841,972	\$ -	\$ 788,637

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

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
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 Northeast Indiana Special Education Cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

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

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

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

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

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

**FINDING 2018-001**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

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

*Condition*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to cash and investments, receipts, and payroll disbursements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

1. Cash and Investments: Monthly bank reconcilements were prepared by one individual. There was no evidence of a review, oversight, or approval process until January 2018.

The lack of oversight resulted in depository balances being inadequately reconciled to the School Corporation records. The School Corporation maintained a bank account related to self-insurance activities, which was not properly documented in the School Corporation ledger.

2. Receipts: One individual prepared the deposit slip for all receipts, posted the receipt entries in the School Corporation ledger, and deposited the funds to the bank. There was no evidence of a review, oversight, or approval process by a person other than the preparer of deposits until January 2018.
3. Payroll Disbursements: One individual prepared payroll transactions, posted the payroll entries to the School Corporation ledger, and issued the payroll disbursements. Payroll disbursements were approved by the School Board after disbursements were made. However, there was no evidence of a review, oversight, or approval process by a person other than the preparer prior to issuance of payroll disbursements throughout the audit period.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The inadequately reconciled depository was closed in February 2018 and funds were transferred to a properly reconciled account.

*Criteria*

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

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

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

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

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

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

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

*Cause*

Management of the School Corporation had not established a proper system of internal controls that segregated key functions over cash and investments, receipts, and payroll disbursements.

*Effect*

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

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting: cash and investments, receipts, and payroll disbursements. In addition, we recommended that the School Corporation maintain compliance with Indiana Code 5-13-6-1(e).

*Views of Responsible Officials*

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

**FINDING 2018-002**

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior finding number was 2016-001.

*Condition*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is a financial reporting system used to compile the School Corporation's SEFA. The Treasurer prepared the federal award information and entered it into Gateway without a control process in place to ensure its accuracy prior to submission.

*Context*

The SEFA presented for audit contained the following errors:

1. The School Breakfast Program grant expenditures of \$78,862 were omitted during the audit period.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. The National School Lunch Program grant expenditures of \$552,250 were omitted during the audit period.
3. The Summer Food Service Program grant expenditures of \$14,032 were omitted during the audit period.
4. The Special Education Cluster (IDEA) grant expenditures of \$560,631 were omitted during the audit period.
5. The Title I, Part A Cluster grant expenditures for fiscal year 2017-2018 were understated by \$58,176.
6. The Title II, Part A Improving Teacher Quality grant expenditures were understated by \$34,013 for 2016-2017 and by \$20,077 for 2017-2018.

Total audit adjustments of \$1,318,041 were proposed, accepted by the School Corporation, and made to the SEFA.

*Criteria*

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

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

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

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

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

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

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

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

*Effect*

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

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

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

**FINDING 2018-003**

Subject: School Breakfast Program, National School Lunch Program - Eligibility  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-17, FY 2017-18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior finding number was 2016-004.

*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 Eligibility compliance requirement.

The School Corporation had a service agreement with a food service management company (FSMC) to oversee the School Corporation's food service operations. The Food Service Director, an employee of the FSMC, determined eligibility from free and reduced price applications with no evidence of a review or approval process that was monitored by the School Corporation to ensure that the Eligibility compliance requirement was met.

*Context*

The lack of controls over eligibility was a systemic issue, 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). . . ."

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not developed a system of internal controls that segregated key functions to ensure compliance with the Eligibility compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Eligibility compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Eligibility compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2018-004**

Subject: School Breakfast Program, National School Lunch Program - Program Income  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-17, FY 2017-18  
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 immediately prior audit. The prior finding number was 2016-004.

*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 Program Income compliance requirement.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation had a service agreement with a food service management company (FSMC) to oversee the School Corporation's food service operations. The Food Service Director, an employee of the FSMC, was solely responsible for the implementation of school lunch prices. The School Corporation did not have controls in place to ensure that school lunch prices were properly implemented. For fiscal year 2016-2017, the amount charged for paid breakfast and paid lunch for children at the Jr/Sr High School was not the proper amount. This resulted in overcharging students for paid breakfast by \$0.18 per meal, and undercharging students for paid lunch by \$0.02 per meal.

The School Corporation did not have controls in place to ensure that program income was properly recorded in the School Corporation ledger. One individual prepared and recorded receipts with no evidence of a review or approval process to ensure that receipts generated from cafeteria sales were properly recorded. The School Corporation established a Food Service Trust fund maintained in the School Corporation ledger, which accounted for student prepaid meal accounts. Based on sales activity reports, an amount of money identified as program income for the Child Nutrition Cluster programs was transferred to the School Lunch fund. The School Corporation made a total of 19 transfers during the audit period to transfer program income from the Food Service Trust fund. Of 4 transfers sampled, 2 transfers made did not match the sales activity report.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. The issue of improper charged meal prices to children was isolated to fiscal year 2016-2017.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.16(a) states in part:

". . . Any school food authority that employs a food service management company in the operation of its nonprofit school food service shall: . . .

- (2) Ensure that the food service operation is in conformance with the school food authority's agreement under the Program; . . .
- (4) Retain control of the quality, extent, and general nature of its food service, and the prices to be charged the children for meals; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not developed a system of internal controls that segregated key functions to ensure compliance with the Program Income compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Program Income compliance requirement.

*Questioned Cost*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Program Income compliance requirement.

*Views of Responsible Officials*

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

***FINDING 2018-005***

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-17, FY 2017-18

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 immediately prior audit. The prior audit finding number was 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 Reporting compliance requirement.

The School Corporation had a service agreement with a food service management company (FSMC) to oversee the School Corporation's food service operations. The Food Service Director, an employee of the FSMC, prepared and submitted the required Monthly Sponsor Claims (claim for reimbursement), Annual Financial Reports (AFR), and the School Food Authority (SFA) Verification Collection Reports with no evidence of a review or approval process that was monitored by the School Corporation to ensure that the Reporting compliance requirement was met.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation did not have controls in place to ensure the accuracy of the AFR. For fiscal year 2016-2017, the AFR contained the following inaccuracies: the beginning cash balance was overstated by \$93,791, revenues to the food service program were understated by \$25,333, expenditures of the food service program were understated by \$33,617, and the ending cash balance of the food service program was overstated by \$102,075. When completing the AFR, the Food Service Director used the financial records of the FSMC, not the School Corporation.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The non-compliance was isolated to the Annual Financial Reports, but was also a systemic issue 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). . . ."

7 CFR 210.16(a) states in part:

". . . Any school food authority that employs a food service management company in the operation of its nonprofit school food service shall: . . .

- (2) Ensure that the food service operation is in conformance with the school food authority's agreement under the Program; . . .
- (4) Retain control of the quality, extent, and general nature of its food service, and the prices to be charged the children for meals; . . ."

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. . . ."

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Indiana Department of Education's *General Instructions: Annual Financial Report* states:

"All data reported is on a School Food Authority basis. It should include all financial transactions from July 1 through June 30, thereby accurately reflecting the financial position of the School Food Service Fund as of June 30. Accurate supporting documentation must be maintained by appropriate accounting officials whether consolidated Corporation-level accounting is used, or one or more Extra-Curricular accounts at separate schools are used.

The income total and expense total boxes should agree exactly with total revenues and total expenditures recorded in the SFA's accounting records. All expenses need to be allocated appropriately to all existing programs."

*Cause*

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

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Reporting compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the 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.

**FINDING 2018-006**

Subject: School Breakfast Program, National School Lunch Program - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-17, FY 2017-18

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-006.

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

The School Corporation had a service agreement with a food service management company (FSMC) to oversee the School Corporation's food service operations. The Food Service Director, an employee of the FSMC, performed the verification of free and reduced price applications with no evidence of a review or approval process monitored by the School Corporation to ensure that the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement was met.

The verification process was performed on a predetermined percentage of applications. For fiscal year 2016-2017 and 2017-2018, a total of 22 applications were verified as required. Of the 5 verified applications sampled, 2 applications resulted in incorrect eligibility determinations, and 1 of the applications utilized an ineligible document to verify income.

*Context*

The lack of controls and noncompliance over the verification of free and reduced price applications 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). . . ."

7 CFR 245.6a(f)(7) states:

*"Eligibility changes.* Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Households with reduced benefits or that are longer eligible for free or reduced price meals must be notified of their right to reapply at any time with documentation of income or participation in one of the eligible programs in paragraph (a)(1) of this section."

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP) compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2018-007**

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity  
Federal Agency: Department of Agriculture  
Federal Programs: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-17, FY 2017-18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-007.

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation had a service agreement with a food service management company (FSMC) to oversee the School Corporation's food service operations. The Food Service Director, an employee of the FSMC, prepared and submitted the paid lunch equity calculation with no evidence of a review or approval process that was monitored by the School Corporation to ensure that the Special Tests and Provisions - Paid Lunch Equity compliance requirement was met.

For fiscal year 2017-2018, the Food Service Director completed the paid lunch equity calculation with the appropriate source documentation; however, the price per meal charged at the Jr/Sr High School was incorrectly input into the calculation, resulting in the average meal price to be overstated by \$0.12, and an incorrect assessment of whether to raise school lunch prices for the subsequent school year.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The non-compliance was isolated to fiscal year 2017-2018.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(e) states in part:

*"Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

*Cause*

Management had not established an effective system of internal controls that would have ensured compliance with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance related to the grant agreement and the compliance requirement listed above.

*Views of Responsible Officials*

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

**FINDING 2018-008**

Subject: Special Education Cluster (IDEA) - Earmarking, Reporting

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): 14217-044-PN01, 18611-044-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting

Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement, and the Matching, Level of Effort, Earmarking and Reporting compliance requirements.

The School Corporation was a participating member school corporation of the Northeast Indiana Special Education Cooperative (Cooperative). The School Corporation partially prepared the Proportionate Share Monitoring Report, based on supporting documentation, and it was later completed at the Cooperative. There was no review, oversight, or approval process at the School Corporation level over the preparation of the reports.

Documentation supporting the Proportionate Share Quarterly Monitoring Reports to determine if the earmarking and reporting requirements were met was not properly maintained and provided for audit.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools and facilities, must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools or facilities within its boundaries, is to the total number of students with disabilities of the same age range."

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. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking, and Reporting compliance requirements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking, and Reporting compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish internal controls related to the grant agreement and the Matching, Level of Effort, Earmarking, and Reporting compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2018-009**

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

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-044-PN01, 14217-044-PN01,  
45717-044-PN01, 18611-044-PN01,  
18619-044-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the level of effort - maintenance of effort requirement of the Matching, Level of Effort, Earmarking compliance requirement.

The Treasurer prepared the level of effort - maintenance of effort calculation for the applications for fiscal years 2017-2018 and 2018-2019. An oversight or review process related to the calculation had not been established.

The actual local expenditures entered into the calculations were not supported by the School Corporation's records. If the actual local expenditures were reported correctly, the School Corporation would not have met the level of effort - maintenance of effort requirement of the Matching, Level of Effort, Earmarking compliance requirement.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 300.203(b) states:

*"Compliance standard.*

(1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

(2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:

- (i) Local funds only;
- (ii) The combination of State and local funds;
- (iii) Local funds only on a per capita basis; or
- (iv) The combination of State and local funds on a per capita basis.

(3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraphs (b)(1) and (2) of this section."

*Cause*

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the level of effort - maintenance of effort requirement of the Matching, Level of Effort, Earmarking compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the level of effort - maintenance of effort requirement.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the level of effort - maintenance of effort requirement.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

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



# Central Noble Community School Corporation

Albion Elementary Central Noble Junior-Senior High School Wolf Lake Elementary

260-636-2175  
260-636-2178  
www.centnoble.k12.in.us  
200 E. Main St.  
Albion, IN 46701

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2016-001**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: N/A  
Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

#### Status of Audit Finding:

There was still not an adequate system of control in place for completing the SEFA.

### **FINDING 2016-002**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: N/A  
Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

#### Status of Audit Finding:

The Business Manager prepares the deposit slip, which is reviewed and initialed by the Corporation secretary. The Business Manager completes the bank reconciliation, which is reviewed and initialed by the Corporation secretary. If the secretary is not available either the Deputy Treasurer or the Superintendent reviews the items.

### **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: Miranda Wilkins  
Contact Phone Number: 260-636-2175

#### Status of Audit Finding:

A copy of the Corrective Action Plan from DeKalb County Eastern (the LEA for the NEISEC) states "payroll records for each individual employee show funding allocation from IDEA part B grant and IDEA preschool gran. NEISCE Director will print off and sign all semi-annual certifications semi-annually". Upon written verification from DeKalb Eastern, these processes are currently in place.



**FINDING 2016-004**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: Department of Agriculture  
Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Status of Audit Finding:

The Food Services Director includes reporting with each deposit slip to support the amount that was deposited to the bank. The school board is given an updated balance of the 800 fund each month for their review and approval. The Business Manager receives monthly reports from the Food Services Director indicating the amount of sales that need to be transferred from the prepaid account into the 800 fund, which the Business Manager uses to complete the transfers in Komputrol. There is not a control in place to verify the transfers are accurate. There are still not adequate controls in place regarding eligibility.

**FINDING 2016-005**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: Indiana Department of Agriculture  
Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Status of Audit Finding:

The Food Services Director completes the annual financial reports and reimbursement reports for the district. These are provided to the Business Manager once completed. The school corporation is still working through a process to implement to ensure the information is correct prior to submission.

**FINDING 2016-006**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: Indiana Department of Agriculture  
Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Status of Audit Finding:

The Food Services Director provides a monthly updated list of free/reduced eligible students to all building level Treasurers and the Business Manager. The Food Services Director is responsible for verifying eligibility. School Corporation has not implemented adequate controls to ensure compliance with Special tests and provisions - verification of Free and Reduced Price applications.

**FINDING 2016-007**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: Indiana Department of Agriculture  
Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Status of Audit Finding:

The price and calculation of new lunch prices was included in the board packet and discussed at the June 2018 board meeting. The controls the School Corporation had in place were not effective and will need to be reevaluated.

Miranda Wilkins  
(Signature)

3/14/19

(Title)

Business Manager  
(Date)



# Central Noble Community School Corporation

Albion Elementary    Central Noble Junior-Senior High School    Wolf Lake Elementary



## CORRECTIVE ACTION PLAN

### **FINDING 2018--001**

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools implemented controls for cash and investments and receipts, which were all implemented in January 2018. Central Noble will establish a process where payroll disbursements will be reviewed and approved by someone at Central Office prior to disbursement.

Anticipated Completion Date: June 30, 2019

### **FINDING 2018--002**

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools will implement internal controls related to preparation of the schedule of expenditures of federal awards (SEFA) by creating review procedures to ensure accurate reporting on the SEFA.

Anticipated Completion Date: June 30, 2019

### **FINDING 2018--003**

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding



Description of Corrective Action Plan: Central Noble Schools in cooperation with the approved food service vendor will implement a process for the appropriate personnel to be assigned and trained to review free and reduced application to ensure proper eligibility.

Anticipated Completion Date: June 30, 2019

***FINDING 2018--004***

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools will implement internal controls related to program income by creating review procedures to ensure accurate implementation of school lunch prices and transfer of program income.

Anticipated Completion Date: June 30, 2019

***FINDING 2018--005***

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools in cooperation with the approved food service vendor will implement internal controls for reporting. The appropriate personnel at Central Office will be assigned and trained to review annual financial reporting, reimbursement reports and verification collection reports filed by the Food Service Management Company.

Anticipated Completion Date: June 30, 2019

***FINDING 2018--006***

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools in cooperation with the approved food service vendor will implement internal controls for verification. The appropriate personnel at Central Office will be assigned and trained to review free and reduced applications, monitor the verification process, and accounts to ensure compliance.

Anticipated Completion Date: June 30, 2019

***FINDING 2018--007***

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools will have a copy of the completed PLE calculator submitted for board approval and review included in the board packet on an annual basis prior to the start of each school year.

Anticipated Completion Date: June 30, 2019

***FINDING 2018--008***

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools will implement internal control procedures by establishing a review process for the earmarking and reporting for the proportionate share report provided to the Northeast Indiana Special Education Cooperative.

Anticipated Completion Date: June 30, 2019

***FINDING 2018--009***

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools will implement internal control procedures by establishing a review process for the maintenance of effort reporting.

Anticipated Completion Date: June 30, 2019

Miranda Wilkins  
(Signature)

Business Manager  
(Title)

4/8/19  
(Date)

#### OTHER REPORTS

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