

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MILAN COMMUNITY SCHOOLS
RIPLEY COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
07/02/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-29
Schedule of Payables and Receivables	30
Schedule of Leases and Debt	31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance	34-35
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	39
Notes to Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41-45
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	48-49
Corrective Action Plan	50-51
Other Reports.....	52

SCHEDULE OF OFFICIALS

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



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Milan Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2016 to June 30, 2018.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2016 to June 30, 2018, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 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

May 21, 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 MILAN COMMUNITY SCHOOLS, RIPLEY COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Milan Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated May 21, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters


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

Milan Community Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

May 21, 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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MILAN COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 313,749	\$ 7,714,779	\$ 7,486,836	\$ -	\$ 541,692	\$ 7,730,762	\$ 7,530,403	\$ -	\$ 742,051
Debt Service	734,947	878,551	886,928	-	726,570	943,704	920,218	-	750,056
Capital Projects	118,342	703,673	719,370	-	102,645	753,907	681,882	-	174,670
School Transportation	457,439	950,698	746,715	-	661,422	1,023,947	771,067	(325,000)	589,302
School Bus Replacement	609,093	274,512	168,932	-	714,673	287,322	1,611	-	1,000,384
Rainy Day	627,249	-	375,233	-	252,016	-	141,554	325,000	435,462
School Lunch	252,894	615,938	654,119	-	214,713	628,031	674,808	-	167,936
Textbook Rental	(44,644)	223,660	298,156	-	(119,140)	211,577	271,707	-	(179,270)
Levy Excess	53	-	-	-	53	-	-	-	53
ROD - Local	(13,607)	150,984	147,679	-	(10,302)	184,797	187,778	-	(13,283)
Educational License Plates	4,687	94	-	-	4,781	113	-	-	4,894
Alternative Education	(31,172)	31,172	-	-	-	-	-	-	-
Early Intervention Grant	-	5,256	1,257	-	3,999	-	3,999	-	-
Lilly Counseling Grant	-	30,000	4,500	-	25,500	-	25,500	-	-
MES	306	2,336	580	-	2,062	1,066	5,033	-	(1,905)
MHS	9,885	87,644	86,871	-	10,658	60,553	87,029	-	(15,818)
Miscellaneous Programs	(57,479)	101,455	95,955	-	(51,979)	68,023	64,793	-	(48,749)
RCCF - PLTW	-	-	-	-	-	19,187	2,358	-	16,829
RCCF - MES	2,704	-	-	-	2,704	550	560	-	2,694
RCCF - MMS/MHS	1,619	1,900	2,071	-	1,448	8,000	5,200	-	4,248
STARS Grant	(12,434)	160,223	173,832	-	(26,043)	169,291	170,043	-	(26,795)
Formative Assessment	-	14,420	-	-	14,420	13,071	32,531	-	(5,040)
Secured Schools Safety Grant	(94,326)	146,981	114,961	-	(62,306)	57,525	54,066	-	(58,847)
School Technology	(1,836)	77,296	39,740	-	35,720	114,999	129,245	-	21,474
Digital Learning Grant	(30,264)	47,064	7,368	-	9,432	-	4,464	-	4,968
Career and Technical Performance Grant	-	14,330	6,737	-	7,593	12,459	9,487	-	10,565
Performance Based Awards	2,268	17,524	15,996	-	3,796	34,517	34,345	-	3,968
QZAB	(3,680)	213,176	235,427	-	(25,931)	-	-	-	(25,931)
Rising Sun Grant - MES	12,405	13,620	20,669	-	5,356	13,000	12,793	-	5,563
Rising Sun Grant	-	36,086	24,726	-	11,360	-	11,360	-	-
Rising Sun Grant - MHS	(19,544)	1,500	-	-	(18,044)	16,400	(7,638)	-	5,994
Rising Sun Grant - Speech	(2,072)	2,072	-	-	-	-	-	-	-
Rising Sun Grant - Math	2,554	-	-	-	2,554	-	1,049	-	1,505
Title I	(54,681)	94,695	64,254	-	(24,240)	105,977	142,549	-	(60,812)
ROD - Federal	(33,971)	291,580	292,848	-	(35,239)	252,059	252,800	-	(35,980)
Improving Teacher Quality, No Child Left, Title II, Part A	-	33,227	33,227	-	-	33,412	33,412	-	-
Prepaid Meals	5,310	276,352	217,684	-	63,978	264,597	319,850	-	8,725
Payroll Clearing Funds	(3,381)	1,984,373	1,988,293	-	(7,301)	1,947,078	1,951,313	-	(11,536)
Totals	\$ 2,752,413	\$ 15,197,171	\$ 14,910,964	\$ -	\$ 3,038,620	\$ 14,955,924	\$ 14,527,169	\$ -	\$ 3,467,375

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

MILAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

MILAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

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

MILAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

MILAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

MILAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

Note 7. Negative Disbursement

The financial statement contains a disbursement which appears as a negative entry. This is a result of correction of errors from prior periods.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of some funds being set up for reimbursable grants. The reimbursements of expenditures made by the School Corporation were not received before June 30, 2017 and 2018. The Textbook Rental fund was negative due to individual school extracurricular accounts not reimbursing the School Corporation before June 30, 2017 and 2018. Other funds were negative due to disbursements exceeding receipts.

Note 9. Restatements

For the year ended June 30, 2017, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances:

MILAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Fund	Balance as of June 30, 2016	Prior Period Adjustment	Balance as of July 1, 2016
Title I	\$ (79,681)	\$ 25,000	\$ (54,681)
Improving Teacher Quality, No Child Left, Title II, Part A	25,000	(25,000)	-

Note 10. Holding Corporation

The School Corporation has entered into capital leases with Milan 21st Century School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years 2016-2017 and 2017-2018 totaled \$237,000 and \$264,500, respectively.

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OTHER INFORMATION - UNAUDITED

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

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

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

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 313,749	\$ 734,947	\$ 118,342	\$ 457,439	\$ 609,093	\$ 627,249	\$ 252,894	\$ (44,644)
Receipts:								
Local sources	252,308	878,551	703,673	950,698	274,512	-	283,912	184,890
Intermediate sources	15	-	-	-	-	-	-	-
State sources	7,462,456	-	-	-	-	-	7,791	38,770
Federal sources	-	-	-	-	-	-	324,235	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>7,714,779</u>	<u>878,551</u>	<u>703,673</u>	<u>950,698</u>	<u>274,512</u>	<u>-</u>	<u>615,938</u>	<u>223,660</u>
Disbursements:								
Instruction	5,289,519	-	-	-	-	-	-	-
Support services	2,068,963	-	608,124	746,715	168,932	16,750	-	298,156
Noninstructional services	128,354	-	-	-	-	-	642,765	-
Facilities acquisition and construction	-	-	111,246	-	-	358,483	11,354	-
Debt service	-	886,928	-	-	-	-	-	-
Total disbursements	<u>7,486,836</u>	<u>886,928</u>	<u>719,370</u>	<u>746,715</u>	<u>168,932</u>	<u>375,233</u>	<u>654,119</u>	<u>298,156</u>
Excess (deficiency) of receipts over disbursements	<u>227,943</u>	<u>(8,377)</u>	<u>(15,697)</u>	<u>203,983</u>	<u>105,580</u>	<u>(375,233)</u>	<u>(38,181)</u>	<u>(74,496)</u>
Other financing sources (uses):								
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>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>227,943</u>	<u>(8,377)</u>	<u>(15,697)</u>	<u>203,983</u>	<u>105,580</u>	<u>(375,233)</u>	<u>(38,181)</u>	<u>(74,496)</u>
Cash and investments - ending	<u>\$ 541,692</u>	<u>\$ 726,570</u>	<u>\$ 102,645</u>	<u>\$ 661,422</u>	<u>\$ 714,673</u>	<u>\$ 252,016</u>	<u>\$ 214,713</u>	<u>\$ (119,140)</u>

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

	Levy Excess	ROD - Local	Educational License Plates	Alternative Education	Early Intervention Grant	Lilly Counseling Grant	MES	MHS
Cash and investments - beginning	\$ 53	\$ (13,607)	\$ 4,687	\$ (31,172)	\$ -	\$ -	\$ 306	\$ 9,885
Receipts:								
Local sources	-	150,984	-	-	-	30,000	2,336	87,644
Intermediate sources	-	-	94	-	-	-	-	-
State sources	-	-	-	31,172	5,256	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	150,984	94	31,172	5,256	30,000	2,336	87,644
Disbursements:								
Instruction	-	147,679	-	-	1,257	-	-	-
Support services	-	-	-	-	-	4,500	580	86,871
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	-	147,679	-	-	1,257	4,500	580	86,871
Excess (deficiency) of receipts over disbursements	-	3,305	94	31,172	3,999	25,500	1,756	773
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,305	94	31,172	3,999	25,500	1,756	773
Cash and investments - ending	\$ 53	\$ (10,302)	\$ 4,781	\$ -	\$ 3,999	\$ 25,500	\$ 2,062	\$ 10,658

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

	Miscellaneous Programs	RCCF - PLTW	RCCF - MES	RCCF - MMS/MHS	STARS Grant	Formative Assessment	Secured Schools Safety Grant	School Technology
Cash and investments - beginning	\$ (57,479)	\$ -	\$ 2,704	\$ 1,619	\$ (12,434)	\$ -	\$ (94,326)	\$ (1,836)
Receipts:								
Local sources	101,455	-	-	1,900	160,223	-	90,639	77,296
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	14,420	56,342	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	101,455	-	-	1,900	160,223	14,420	146,981	77,296
Disbursements:								
Instruction	-	-	-	2,071	-	-	-	-
Support services	95,955	-	-	-	173,832	-	114,961	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	39,740
Debt service	-	-	-	-	-	-	-	-
Total disbursements	95,955	-	-	2,071	173,832	-	114,961	39,740
Excess (deficiency) of receipts over disbursements	5,500	-	-	(171)	(13,609)	14,420	32,020	37,556
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,500	-	-	(171)	(13,609)	14,420	32,020	37,556
Cash and investments - ending	\$ (51,979)	\$ -	\$ 2,704	\$ 1,448	\$ (26,043)	\$ 14,420	\$ (62,306)	\$ 35,720

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

	Digital Learning Grant	Career and Technical Performance Grant	Performance Based Awards	QZAB	Rising Sun Grant - MES	Rising Sun Grant	Rising Sun Grant - MHS	Rising Sun Grant - Speech
Cash and investments - beginning	\$ (30,264)	\$ -	\$ 2,268	\$ (3,680)	\$ 12,405	\$ -	\$ (19,544)	\$ (2,072)
Receipts:								
Local sources	47,064	-	-	213,176	13,620	36,086	1,500	2,072
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	14,330	17,524	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>47,064</u>	<u>14,330</u>	<u>17,524</u>	<u>213,176</u>	<u>13,620</u>	<u>36,086</u>	<u>1,500</u>	<u>2,072</u>
Disbursements:								
Instruction	-	6,737	15,996	-	20,669	24,726	-	-
Support services	6,991	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	377	-	-	235,427	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	<u>7,368</u>	<u>6,737</u>	<u>15,996</u>	<u>235,427</u>	<u>20,669</u>	<u>24,726</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>39,696</u>	<u>7,593</u>	<u>1,528</u>	<u>(22,251)</u>	<u>(7,049)</u>	<u>11,360</u>	<u>1,500</u>	<u>2,072</u>
Other financing sources (uses):								
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>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>39,696</u>	<u>7,593</u>	<u>1,528</u>	<u>(22,251)</u>	<u>(7,049)</u>	<u>11,360</u>	<u>1,500</u>	<u>2,072</u>
Cash and investments - ending	<u>\$ 9,432</u>	<u>\$ 7,593</u>	<u>\$ 3,796</u>	<u>\$ (25,931)</u>	<u>\$ 5,356</u>	<u>\$ 11,360</u>	<u>\$ (18,044)</u>	<u>\$ -</u>

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

	Rising Sun Grant - Math	Title I	ROD - Federal	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid Meals	Payroll Clearing Funds	Totals
Cash and investments - beginning	\$ 2,554	\$ (54,681)	\$ (33,971)	\$ -	\$ 5,310	\$ (3,381)	\$ 2,752,413
Receipts:							
Local sources	-	-	-	-	-	-	4,544,539
Intermediate sources	-	-	-	-	-	-	109
State sources	-	-	-	-	-	-	7,648,061
Federal sources	-	94,695	291,580	33,227	-	-	743,737
Other receipts	-	-	-	-	276,352	1,984,373	2,260,725
Total receipts	-	94,695	291,580	33,227	276,352	1,984,373	15,197,171
Disbursements:							
Instruction	-	64,254	292,848	33,227	-	-	5,898,983
Support services	-	-	-	-	-	-	4,391,330
Noninstructional services	-	-	-	-	217,684	1,988,293	2,977,096
Facilities acquisition and construction	-	-	-	-	-	-	756,627
Debt service	-	-	-	-	-	-	886,928
Total disbursements	-	64,254	292,848	33,227	217,684	1,988,293	14,910,964
Excess (deficiency) of receipts over disbursements	-	30,441	(1,268)	-	58,668	(3,920)	286,207
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	30,441	(1,268)	-	58,668	(3,920)	286,207
Cash and investments - ending	\$ 2,554	\$ (24,240)	\$ (35,239)	\$ -	\$ 63,978	\$ (7,301)	\$ 3,038,620

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 541,692	\$ 726,570	\$ 102,645	\$ 661,422	\$ 714,673	\$ 252,016	\$ 214,713	\$ (119,140)
Receipts:								
Local sources	139,594	943,704	753,907	1,023,947	287,322	-	270,272	170,656
Intermediate sources	16	-	-	-	-	-	-	-
State sources	7,591,152	-	-	-	-	-	7,963	40,921
Federal sources	-	-	-	-	-	-	349,796	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	7,730,762	943,704	753,907	1,023,947	287,322	-	628,031	211,577
Disbursements:								
Instruction	5,276,962	-	-	-	-	-	-	-
Support services	2,128,883	-	625,678	771,067	1,611	-	-	271,707
Noninstructional services	124,558	-	-	-	-	-	653,817	-
Facilities acquisition and construction	-	-	56,204	-	-	141,554	20,991	-
Debt service	-	920,218	-	-	-	-	-	-
Total disbursements	7,530,403	920,218	681,882	771,067	1,611	141,554	674,808	271,707
Excess (deficiency) of receipts over disbursements	200,359	23,486	72,025	252,880	285,711	(141,554)	(46,777)	(60,130)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	325,000	-	-
Transfers out	-	-	-	(325,000)	-	-	-	-
Total other financing sources (uses)	-	-	-	(325,000)	-	325,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	200,359	23,486	72,025	(72,120)	285,711	183,446	(46,777)	(60,130)
Cash and investments - ending	\$ 742,051	\$ 750,056	\$ 174,670	\$ 589,302	\$ 1,000,384	\$ 435,462	\$ 167,936	\$ (179,270)

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

	Levy Excess	ROD - Local	Educational License Plates	Alternative Education	Early Intervention Grant	Lilly Counseling Grant	MES	MHS
Cash and investments - beginning	\$ 53	\$ (10,302)	\$ 4,781	\$ -	\$ 3,999	\$ 25,500	\$ 2,062	\$ 10,658
Receipts:								
Local sources	-	184,797	-	-	-	-	1,066	60,553
Intermediate sources	-	-	113	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	184,797	113	-	-	-	1,066	60,553
Disbursements:								
Instruction	-	187,778	-	-	3,999	-	-	-
Support services	-	-	-	-	-	25,500	5,033	87,029
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	-	187,778	-	-	3,999	25,500	5,033	87,029
Excess (deficiency) of receipts over disbursements	-	(2,981)	113	-	(3,999)	(25,500)	(3,967)	(26,476)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,981)	113	-	(3,999)	(25,500)	(3,967)	(26,476)
Cash and investments - ending	\$ 53	\$ (13,283)	\$ 4,894	\$ -	\$ -	\$ -	\$ (1,905)	\$ (15,818)

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

	Miscellaneous Programs	RCCF - PLTW	RCCF - MES	RCCF - MMS/MHS	STARS Grant	Formative Assessment	Secured Schools Safety Grant	School Technology
Cash and investments - beginning	\$ (51,979)	\$ -	\$ 2,704	\$ 1,448	\$ (26,043)	\$ 14,420	\$ (62,306)	\$ 35,720
Receipts:								
Local sources	68,023	19,187	550	8,000	169,291	-	-	114,999
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	13,071	57,525	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	68,023	19,187	550	8,000	169,291	13,071	57,525	114,999
Disbursements:								
Instruction	-	2,358	560	5,200	-	-	-	-
Support services	64,793	-	-	-	170,043	32,531	54,066	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	129,245
Debt service	-	-	-	-	-	-	-	-
Total disbursements	64,793	2,358	560	5,200	170,043	32,531	54,066	129,245
Excess (deficiency) of receipts over disbursements	3,230	16,829	(10)	2,800	(752)	(19,460)	3,459	(14,246)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,230	16,829	(10)	2,800	(752)	(19,460)	3,459	(14,246)
Cash and investments - ending	\$ (48,749)	\$ 16,829	\$ 2,694	\$ 4,248	\$ (26,795)	\$ (5,040)	\$ (58,847)	\$ 21,474

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

	Digital Learning Grant	Career and Technical Performance Grant	Performance Based Awards	QZAB	Rising Sun Grant - MES	Rising Sun Grant	Rising Sun Grant - MHS	Rising Sun Grant - Speech
Cash and investments - beginning	\$ 9,432	\$ 7,593	\$ 3,796	\$ (25,931)	\$ 5,356	\$ 11,360	\$ (18,044)	\$ -
Receipts:								
Local sources	-	-	-	-	13,000	-	16,400	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	12,459	34,517	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	12,459	34,517	-	13,000	-	16,400	-
Disbursements:								
Instruction	689	9,487	34,345	-	12,405	11,360	(31,674)	-
Support services	3,775	-	-	-	388	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	24,036	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	4,464	9,487	34,345	-	12,793	11,360	(7,638)	-
Excess (deficiency) of receipts over disbursements	(4,464)	2,972	172	-	207	(11,360)	24,038	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,464)	2,972	172	-	207	(11,360)	24,038	-
Cash and investments - ending	\$ 4,968	\$ 10,565	\$ 3,968	\$ (25,931)	\$ 5,563	\$ -	\$ 5,994	\$ -

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

	Rising Sun Grant - Math	Title I	ROD - Federal	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid Meals	Payroll Clearing Funds	Totals
Cash and investments - beginning	\$ 2,554	\$ (24,240)	\$ (35,239)	\$ -	\$ 63,978	\$ (7,301)	\$ 3,038,620
Receipts:							
Local sources	-	-	-	-	-	-	4,245,268
Intermediate sources	-	-	-	-	-	-	129
State sources	-	-	-	-	-	-	7,757,608
Federal sources	-	105,977	252,059	33,412	-	-	741,244
Other receipts	-	-	-	-	264,597	1,947,078	2,211,675
Total receipts	-	105,977	252,059	33,412	264,597	1,947,078	14,955,924
Disbursements:							
Instruction	1,049	142,549	252,800	33,412	-	-	5,943,279
Support services	-	-	-	-	-	-	4,242,104
Noninstructional services	-	-	-	-	319,850	1,951,313	3,049,538
Facilities acquisition and construction	-	-	-	-	-	-	372,030
Debt service	-	-	-	-	-	-	920,218
Total disbursements	1,049	142,549	252,800	33,412	319,850	1,951,313	14,527,169
Excess (deficiency) of receipts over disbursements	(1,049)	(36,572)	(741)	-	(55,253)	(4,235)	428,755
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	325,000
Transfers out	-	-	-	-	-	-	(325,000)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,049)	(36,572)	(741)	-	(55,253)	(4,235)	428,755
Cash and investments - ending	\$ 1,505	\$ (60,812)	\$ (35,980)	\$ -	\$ 8,725	\$ (11,536)	\$ 3,467,375

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

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 82,627</u>	<u>\$ -</u>

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Milan 21st Century School Building Corporation	School Renovations	\$ 131,500	6/30/2011	12/31/2026
Milan 21st Century School Building Corporation	Trane Project	<u>118,429</u>	7/15/2016	1/15/2026
Total governmental activities		<u>249,929</u>		
Total of annual lease payments		<u>\$ 249,929</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Common School Loans	\$ 3,867,311	\$ 626,039
		<u>-</u>	<u>-</u>
Total governmental activities		<u>3,867,311</u>	<u>626,039</u>
Totals		<u>\$ 3,867,311</u>	<u>\$ 626,039</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

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

Report on Internal Control over Compliance


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

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

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

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

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


Paul D. Joyce, CPA
State Examiner

May 21, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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MILAN COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 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			SY 16-17	\$ -	\$ 70,319	\$ -	\$ -
School Breakfast			SY 17-18	-	-	-	81,359
Total - School Breakfast Program				-	70,319	-	81,359
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			SY 16-17	-	253,916	-	-
School Lunch			SY 17-18	-	-	-	268,437
School Lunch - Commodities			SY 16-17, SY 17-18	-	41,892	-	50,590
Total - National School Lunch Program				-	295,808	-	319,027
Total - Child Nutrition Cluster				-	366,127	-	400,386
Total - Department of Agriculture				-	366,127	-	400,386
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY 2016			14216-050-PN01	-	105,780	-	-
FY 2017			14217-050-PN01	-	281,757	-	116,171
FY 2018			18611-050-PN01	-	-	-	249,416
Total - Special Education Grants to States				-	387,537	-	365,587
Special Education Preschool Grants							
FY 2016 PS	Indiana Department of Education	84.173					
FY 2018 PS			45716-050-PN01	-	880	-	-
			18619-050-PN01	-	-	-	33
Total - Special Education PreSchool Grants				-	880	-	33
Total - Special Education Cluster (IDEA)				-	388,417	-	365,620
Title I Grants to Local Educational Agencies							
Title I	Indiana Department of Education	84.010					
Title I			17-6910	-	94,695	-	-
			18-6910	-	-	-	105,977
Total - Title I Grants to Local Educational Agencies				-	94,695	-	105,977
Supporting Effective Instruction State Grants							
Title II	Indiana Department of Education	84.367					
Title II			15-6910	-	33,227	-	-
			16-6910	-	-	-	33,412
Total - Supporting Effective Instruction State Grants				-	33,227	-	33,412
Total - Department of Education				-	516,339	-	505,009
Total federal awards expended				\$ -	\$ 882,466	\$ -	\$ 905,395

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

MILAN COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 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.

MILAN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	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 Finding: Material Weakness

Repeat Finding

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

Condition

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

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

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts. The Treasurer issued receipts, posted receipts, and deposited collections without evidence of an oversight, review, or approval process to ensure that material misstatements would be prevented, or detected and corrected, in a timely manner.
2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

Context

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

Criteria

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

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

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

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

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

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

Management remediates identified issues. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control over receipts.

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

Effect

The failure to establish controls could have 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 of receipts.

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 2018-002

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY 16-17, SY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-003.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Cash Management

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

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

Eligibility

The Food Service Director is the sole person responsible for making the determination of eligibility on the free and reduced lunch applications. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the eligibility determinations.

Procurement

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

Suspension and Debarment

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

Program Income

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

Reporting

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

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

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

Special Tests and Provisions - School Food Account

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

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

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

Context

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

MILAN COMMUNITY SCHOOLS
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). . . ."

Cause

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

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have allowed material noncompliance with the compliance requirements, and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, review, and approval 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 compliance requirements listed above.

Views of Responsible Officials

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

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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.



MILAN COMMUNITY SCHOOLS

412 EAST CARR STREET

MILAN, INDIANA 47031

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding initially occurred: 2014

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

Contact Person Responsible for Corrective Action: *Gretchen Berger*

Contact Phone Number: (812) 654-2365

Status of Audit Finding:

The Corporation Treasurer and the Superintendent discuss financial transactions on a daily and/or weekly basis depending on schedules. The Superintendent initials the transactions for receipts and payroll distributions and provides guidance as needed.

The Corporation Treasurer and Deputy Treasurer will begin meeting weekly for the 2019-20 fiscal year. Timing between audit periods didn't allow enough time to implement this sooner.

FINDING 2016-002

Fiscal year in which the finding initially occurred: 2014

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

Contact Person Responsible for Corrective Action: *Gretchen Berger*

Contact Phone Number: (812) 654-2365

Status of Audit Finding:

The Corporation Treasurer assigns a new fund number for each year the federal grants are received. This will make the SEFA report easier for the Superintendent to review prior to submission. Corrections were made to SEFA reports for this audit period.

FINDING 2016-003

Fiscal year in which the finding initially occurred: 2016

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

Contact Person Responsible for Corrective Action: *Gretchen Berger*

Contact Phone Number: *(812) 654-2365*

Status of Audit Finding:

Activities Allowed or Unallowed and Allowable Costs/Cost Principles – The FSD reviews and initials the payroll distribution report each month.

Cash Management – Corporation Treasurer calculates the 3-month average and the FSD initials such.

*Eligibility – FSD makes the initial determination for free/reduced applications. The Café Manager or Corp Treasurer will review and initial. **

*Procurement – The Superintendent will review the purchasing coop bid procedures for food service each year and inform the School Board. **

*Suspension and Debarment – The Superintendent will review suspension and debarment forms each year. **

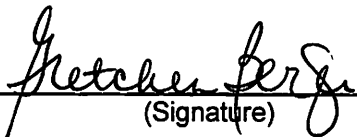
Program Income – The Corporation Treasurer makes the transfer of money from 8400 prepaid to 0800 school lunch fund and the FSD will review and initial this report.

*Special Tests and Provisions – Verification of Free and Reduced Applications – The FSD completes the 3% verification of the applications each year. The Café Manager or Corp Treasurer will review this information. **


Special Tests and Provisions – School Food Account – The Corp Treasurer posts all financial transactions to 0800 school lunch fund. The FSD reviews and initials these transactions.

*Special Tests and Provisions – Paid Lunch Equity – The FSD and Corp Treasurer prepare the PLE tool each year. The Superintendent will review and initial the form. **

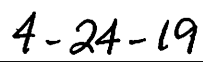
*These items are completed annually each year. The audits were completed after this was finished last summer. We will implement the changes for FY2019-20.



(Signature)



(Title)



(Date)



MILAN COMMUNITY SCHOOLS

412 EAST CARR STREET

MILAN, INDIANA 47031

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

CORRECTIVE ACTION PLAN

FINDING 2018-001

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

Views of Responsible Official: We concur with the finding. Timing between audits didn't allow for implementation of the plan.

Description of Corrective Action Plan:

The Corporation Treasurer will consult with the Deputy Treasurer and/or Superintendent on a monthly basis to review and initial the financial transactions for receipts. The Superintendent will also provide further consultation as needed.

Anticipated Completion Date: 2019-20 school year

FINDING 2018-002

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

Views of Responsible Official: We concur with the finding. Timing between audits didn't allow for implementation of the plan.

Description of Corrective Action Plan:

Cash Management:

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

Eligibility:

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

Procurement:

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

Suspension and Debarment:

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

Program Income:

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

Reporting:

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

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

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

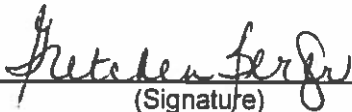
Special Tests & Provisions – School Food Account:

The Corporation Treasurer posts all financial transactions to 0800 school lunch fund account. The FSD will meet with the Corporation Treasurer each month to review and initial all financial transactions made to 0800.

Special Tests & Provisions – Paid Lunch Equity:

The Corporation Treasurer and FSD will prepare the paid lunch equity calculation report. The Superintendent will review and initial this calculation.

Anticipated Completion Date: 2019-20 school year



(Signature)

Treasurer

(Title)

5-21-19

(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/>.