

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
STEUBEN COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
02/11/2016



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Monte Van Gessel	07-01-12 to 06-30-15
Superintendent of Schools	Dr. Brent Wilson	07-01-12 to 06-30-15
President of the School Board	Glen Arney Brad Gardner	07-01-12 to 12-31-14 01-01-15 to 12-31-15



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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT  
OF STEUBEN COUNTY, STEUBEN COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Metropolitan School District of Steuben County (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement.

***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 of 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 of 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, 2012 to June 30, 2014.

***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, 2012 to June 30, 2014, 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 the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


*Other Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is January 14, 2016, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

March 18, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is January 14, 2016



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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 METROPOLITAN SCHOOL DISTRICT  
OF STEUBEN COUNTY, STEUBEN 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 Metropolitan School District of Steuben County (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated March 18, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is January 14, 2016, 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 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***

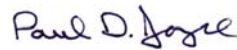
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Metropolitan School District of Steuben County'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

March 18, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is January 14, 2016

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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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METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 1,355,769	\$ 18,960,945	\$ 19,020,409	\$ 50,000	\$ 1,346,305	\$ 18,896,900	\$ 18,677,226	\$ 39,868	\$ 1,605,847
Debt Service	2,608,252	4,901,518	4,929,879	-	2,579,891	4,955,260	4,927,992	-	2,607,159
Retirement/Severance Bond Debt Service	221,163	654,439	630,573	-	245,029	736,593	617,634	-	363,988
Capital Projects	996,802	3,638,040	3,270,954	-	1,363,888	3,470,730	3,492,015	-	1,342,603
School Transportation	770,270	1,629,623	1,628,503	(62,441)	708,949	1,647,270	1,678,858	-	677,361
School Bus Replacement	70,957	271,958	146,017	-	196,898	393,243	389,082	-	201,059
Rainy Day	1,594,969	-	554,060	159,091	1,200,000	48,859	-	-	1,248,859
Retirement/Severance Bond	-	-	4,380,013	4,383,540	3,527	-	3,527	-	-
Post-Retirement/Severance Future Benefits	57,956	-	15,810	-	42,146	-	4,514	-	37,632
School Lunch	417,508	1,455,648	1,389,376	(50,000)	433,780	1,383,224	1,399,573	(50,000)	367,431
Textbook Rental	282,215	289,034	147,936	-	423,313	290,202	94,120	-	619,395
Levy Excess	70,333	26,317	-	(96,650)	-	-	-	-	-
Child Care Program	35,358	75,699	56,079	-	54,978	69,746	59,043	-	65,681
Educational License Plates	11,218	413	-	-	11,631	318	2,674	-	9,275
Alternative Education	44,975	247,044	226,062	-	65,957	-	36,456	(29,501)	-
Alternative Education 13-14	-	-	-	-	-	216,457	211,067	29,501	34,891
Early Intervention Grant	100	-	100	-	-	-	-	-	-
Miscellaneous Donations	525	4,405	1,777	-	3,153	1,882	2,243	-	2,792
Dekko Arts Partnership Grant	96	-	96	-	-	-	-	-	-
Miscellaneous Grants	84	2,466	1,218	-	1,332	2,130	818	-	2,644
FIST Grants	1,227	1,858	2,607	-	478	2,500	1,859	-	1,119
Instruction Support	602	-	602	-	-	-	-	-	-
Extra-Curricular Activities	3,693	10,286	5,518	-	8,461	6,318	14,039	-	740
Wellness	28,097	31,300	21,037	-	38,360	-	23,391	-	14,969
McCutchan Scholarship	150	-	-	-	150	-	-	-	150
Coca Cola Commissions	-	5,341	5,341	-	-	3,048	3,048	-	-
High Ability 2011-2012	5,171	-	5,171	-	-	-	-	-	-
High Ability 2012-2013	-	38,539	29,057	-	9,482	-	9,482	-	-
High Ability 2013-2014	-	-	-	-	-	36,700	20,234	-	16,466
Education Technology	-	-	-	-	-	277,176	277,176	-	-
Secured Schools Safety Grant	-	-	-	-	-	6,008	24,615	10,132	(8,475)
Non-English Speaking Programs 2012-2013	-	11,501	6,918	-	4,583	-	4,583	-	-
Non-English Speaking Programs 2013-2014	-	-	-	-	-	12,292	6,818	-	5,474
School Technology	23,702	41,570	41,592	-	23,680	40,179	3,850	-	60,009
Tech Breakage Assessments	-	-	-	-	-	30	-	-	30
Title I 2011-2012	(75,384)	161,334	85,950	-	-	-	-	-	-
Title I 2012-2013	-	500,761	554,687	-	(53,926)	147,015	93,089	-	-
Title I 2013-2014	-	-	-	-	-	329,053	396,848	-	(67,795)
Title II 2011-2012	(30,863)	69,221	38,358	-	-	-	-	-	-
Title II 2012-2013	-	69,022	74,917	-	(5,895)	29,891	23,996	-	-
Title II 2013-2014	-	-	-	-	-	71,175	74,251	-	(3,076)
Title III 2011-2012	(3,397)	5,326	1,929	-	-	-	-	-	-
Title III 2012-2013	-	13,000	16,990	-	(3,990)	4,422	432	-	-
Title III 2013-2014	-	-	-	-	-	13,802	15,295	-	(1,493)
Education Jobs	(74,335)	167,105	92,770	-	-	-	-	-	-
Payroll Clearing	1,985	5,699,758	5,684,634	-	17,109	5,523,858	5,522,775	-	18,192
Totals	\$ 8,419,198	\$ 38,983,471	\$ 43,066,940	\$ 4,383,540	\$ 8,719,269	\$ 38,616,281	\$ 38,112,623	\$ -	\$ 9,222,927

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

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
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, 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 which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money 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 which include amounts received from various sources which include 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 which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows 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:

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

Transfers in which includes money 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 which includes money 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 money 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 money 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 March 1 (lien date) 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.



METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2013, or June 30, 2014.

**Note 8. Holding Corporations**

The School Corporation has entered into a capital lease with Angola Middle 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 years 2013 and 2014 totaled \$2,301,700 and \$2,300,250, respectively.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

The School Corporation has entered into a capital lease with M.S.D. of Steuben County K-5 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 years 2013 and 2014 totaled \$2,000,688 and \$1,994,688, respectively.

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#### SUPPLEMENTARY INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. 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 Gateway website: <https://gateway.infonline.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 Financial Reports of the School Corporation which are 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.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 1,355,769	\$ 2,608,252	\$ 221,163	\$ 996,802	\$ 770,270	\$ 70,957	\$ 1,594,969	\$ -
Receipts:								
Local sources	143,314	4,901,518	654,439	2,909,639	1,629,623	271,958	-	-
Intermediate sources	9	-	-	-	-	-	-	-
State sources	18,817,572	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	728,401	-	-	-	-
Other	50	-	-	-	-	-	-	-
Total receipts	18,960,945	4,901,518	654,439	3,638,040	1,629,623	271,958	-	-
Disbursements:								
Current:								
Instruction	12,666,171	-	-	-	-	-	-	-
Support services	6,003,124	-	-	1,862,981	1,628,503	146,017	4,060	39,980
Noninstructional services	351,114	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	958,021	-	-	-	-
Debt services	-	4,929,879	630,573	449,952	-	-	550,000	4,340,033
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	19,020,409	4,929,879	630,573	3,270,954	1,628,503	146,017	554,060	4,380,013
Excess (deficiency) of receipts over disbursements	(59,464)	(28,361)	23,866	367,086	1,120	125,941	(554,060)	(4,380,013)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	4,383,540
Transfers in	70,276	-	-	-	96,650	-	159,091	-
Transfers out	(20,276)	-	-	-	(159,091)	-	-	-
Total other financing sources (uses)	50,000	-	-	-	(62,441)	-	159,091	4,383,540
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,464)	(28,361)	23,866	367,086	(61,321)	125,941	(394,969)	3,527
Cash and investments - ending	\$ 1,346,305	\$ 2,579,891	\$ 245,029	\$ 1,363,888	\$ 708,949	\$ 196,898	\$ 1,200,000	\$ 3,527

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Post- Retirement/ Severance Future Benefits	School Lunch	Textbook Rental	Levy Excess	Child Care Program	Educational License Plates	Alternative Education	Alternative Education 13-14
Cash and investments - beginning	\$ 57,956	\$ 417,508	\$ 282,215	\$ 70,333	\$ 35,358	\$ 11,218	\$ 44,975	\$ -
Receipts:								
Local sources	-	619,100	178,297	-	75,699	-	211,211	-
Intermediate sources	-	-	-	-	-	413	-	-
State sources	-	14,502	110,737	26,317	-	-	35,833	-
Federal sources	-	822,046	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	1,455,648	289,034	26,317	75,699	413	247,044	-
Disbursements:								
Current:								
Instruction	9,274	-	-	-	-	-	226,062	-
Support services	6,536	4,921	147,936	-	-	-	-	-
Noninstructional services	-	1,355,531	-	-	56,079	-	-	-
Facilities acquisition and construction	-	28,924	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	15,810	1,389,376	147,936	-	56,079	-	226,062	-
Excess (deficiency) of receipts over disbursements	(15,810)	66,272	141,098	26,317	19,620	413	20,982	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	9,939	-
Transfers out	-	(50,000)	-	(96,650)	-	-	(9,939)	-
Total other financing sources (uses)	-	(50,000)	-	(96,650)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,810)	16,272	141,098	(70,333)	19,620	413	20,982	-
Cash and investments - ending	\$ 42,146	\$ 433,780	\$ 423,313	\$ -	\$ 54,978	\$ 11,631	\$ 65,957	\$ -

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Early Intervention Grant	Miscellaneous Donations	Dekko Arts Partnership Grant	Miscellaneous Grants	FIST Grants	Instruction Support	Extra- Curricular Activities	Wellness
Cash and investments - beginning	\$ 100	\$ 525	\$ 96	\$ 84	\$ 1,227	\$ 602	\$ 3,693	\$ 28,097
Receipts:								
Local sources	-	4,405	-	2,466	1,858	-	10,286	31,300
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	4,405	-	2,466	1,858	-	10,286	31,300
Disbursements:								
Current:								
Instruction	-	1,252	96	418	2,607	-	5,152	-
Support services	100	525	-	800	-	602	366	21,037
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	100	1,777	96	1,218	2,607	602	5,518	21,037
Excess (deficiency) of receipts over disbursements	(100)	2,628	(96)	1,248	(749)	(602)	4,768	10,263
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(100)	2,628	(96)	1,248	(749)	(602)	4,768	10,263
Cash and investments - ending	\$ -	\$ 3,153	\$ -	\$ 1,332	\$ 478	\$ -	\$ 8,461	\$ 38,360



METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	McCutchan Scholarship	Coca Cola Commissions	High Ability 2011-2012	High Ability 2012-2013	High Ability 2013-2014	Education Technology	Secured Schools Safety Grant	Non-English Speaking Programs 2012-2013
Cash and investments - beginning	\$ 150	\$ -	\$ 5,171	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	5,341	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	38,539	-	-	-	11,501
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	5,341	-	38,539	-	-	-	11,501
Disbursements:								
Current:								
Instruction	-	-	5,171	29,057	-	-	-	5,371
Support services	-	5,341	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	1,547
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	5,341	5,171	29,057	-	-	-	6,918
Excess (deficiency) of receipts over disbursements	-	-	(5,171)	9,482	-	-	-	4,583
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(5,171)	9,482	-	-	-	4,583
Cash and investments - ending	\$ 150	\$ -	\$ -	\$ 9,482	\$ -	\$ -	\$ -	\$ 4,583

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Non-English Speaking Programs 2013-2014	School Technology	Tech Breakage Assessments	Title I 2011-2012	Title I 2012-2013	Title I 2013-2014	Title II 2011-2012	Title II 2012-2013
Cash and investments - beginning	\$ -	\$ 23,702	\$ -	\$ (75,384)	\$ -	\$ -	\$ (30,863)	\$ -
Receipts:								
Local sources	-	36,557	-	-	-	-	474	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	5,013	-	-	-	-	-	-
Federal sources	-	-	-	161,334	500,761	-	68,747	69,022
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	41,570	-	161,334	500,761	-	69,221	69,022
Disbursements:								
Current:								
Instruction	-	-	-	70,593	425,673	-	-	-
Support services	-	41,592	-	14,929	122,672	-	38,358	74,917
Noninstructional services	-	-	-	428	6,342	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	41,592	-	85,950	554,687	-	38,358	74,917
Excess (deficiency) of receipts over disbursements	-	(22)	-	75,384	(53,926)	-	30,863	(5,895)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(22)	-	75,384	(53,926)	-	30,863	(5,895)
Cash and investments - ending	\$ -	\$ 23,680	\$ -	\$ -	\$ (53,926)	\$ -	\$ -	\$ (5,895)

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Title II 2013-2014	Title III 2011-2012	Title III 2012-2013	Title III 2013-2014	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ (3,397)	\$ -	\$ -	\$ (74,335)	\$ 1,985	\$ 8,419,198
Receipts:							
Local sources	-	-	-	-	-	-	11,687,485
Intermediate sources	-	-	-	-	-	-	422
State sources	-	-	-	-	-	-	19,060,014
Federal sources	-	5,326	13,000	-	167,105	-	1,807,341
Temporary loans	-	-	-	-	-	-	728,401
Other	-	-	-	-	-	5,699,758	5,699,808
Total receipts	-	5,326	13,000	-	167,105	5,699,758	38,983,471
Disbursements:							
Current:							
Instruction	-	1,929	16,990	-	75,467	-	13,541,283
Support services	-	-	-	-	17,303	-	10,182,600
Noninstructional services	-	-	-	-	-	-	1,771,041
Facilities acquisition and construction	-	-	-	-	-	-	986,945
Debt services	-	-	-	-	-	-	10,900,437
Nonprogrammed charges	-	-	-	-	-	5,684,634	5,684,634
Total disbursements	-	1,929	16,990	-	92,770	5,684,634	43,066,940
Excess (deficiency) of receipts over disbursements	-	3,397	(3,990)	-	74,335	15,124	(4,083,469)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	4,383,540
Transfers in	-	-	-	-	-	-	335,956
Transfers out	-	-	-	-	-	-	(335,956)
Total other financing sources (uses)	-	-	-	-	-	-	4,383,540
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,397	(3,990)	-	74,335	15,124	300,071
Cash and investments - ending	\$ -	\$ -	\$ (3,990)	\$ -	\$ -	\$ 17,109	\$ 8,719,269

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 1,346,305	\$ 2,579,891	\$ 245,029	\$ 1,363,888	\$ 708,949	\$ 196,898	\$ 1,200,000	\$ 3,527
Receipts:								
Local sources	163,124	4,955,260	736,593	2,974,015	1,647,270	393,243	48,859	-
Intermediate sources	21	-	-	-	-	-	-	-
State sources	18,733,655	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	496,715	-	-	-	-
Other	100	-	-	-	-	-	-	-
Total receipts	18,896,900	4,955,260	736,593	3,470,730	1,647,270	393,243	48,859	-
Disbursements:								
Current:								
Instruction	12,513,529	-	-	-	-	-	-	-
Support services	5,841,886	-	-	1,490,122	1,678,858	389,082	-	3,527
Noninstructional services	321,811	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,335,493	-	-	-	-
Debt services	-	4,927,992	617,634	666,400	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	18,677,226	4,927,992	617,634	3,492,015	1,678,858	389,082	-	3,527
Excess (deficiency) of receipts over disbursements	219,674	27,268	118,959	(21,285)	(31,588)	4,161	48,859	(3,527)
Other financing sources (uses):								
Transfers in	72,592	-	-	-	-	-	-	-
Transfers out	(32,724)	-	-	-	-	-	-	-
Total other financing sources (uses)	39,868	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	259,542	27,268	118,959	(21,285)	(31,588)	4,161	48,859	(3,527)
Cash and investments - ending	\$ 1,605,847	\$ 2,607,159	\$ 363,988	\$ 1,342,603	\$ 677,361	\$ 201,059	\$ 1,248,859	\$ -

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Post- Retirement/ Severance Future Benefits	School Lunch	Textbook Rental	Levy Excess	Child Care Program	Educational License Plates	Alternative Education	Alternative Education 13-14
Cash and investments - beginning	\$ 42,146	\$ 433,780	\$ 423,313	\$ -	\$ 54,978	\$ 11,631	\$ 65,957	\$ -
Receipts:								
Local sources	-	574,560	183,503	-	69,746	-	-	188,199
Intermediate sources	-	-	-	-	-	318	-	-
State sources	-	14,554	106,699	-	-	-	-	28,258
Federal sources	-	794,110	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	1,383,224	290,202	-	69,746	318	-	216,457
Disbursements:								
Current:								
Instruction	1,564	-	-	-	-	-	36,456	211,067
Support services	2,950	20,795	94,120	-	-	2,674	-	-
Noninstructional services	-	1,307,456	-	-	59,043	-	-	-
Facilities acquisition and construction	-	71,322	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	4,514	1,399,573	94,120	-	59,043	2,674	36,456	211,067
Excess (deficiency) of receipts over disbursements	(4,514)	(16,349)	196,082	-	10,703	(2,356)	(36,456)	5,390
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	29,501
Transfers out	-	(50,000)	-	-	-	-	(29,501)	-
Total other financing sources (uses)	-	(50,000)	-	-	-	-	(29,501)	29,501
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,514)	(66,349)	196,082	-	10,703	(2,356)	(65,957)	34,891
Cash and investments - ending	\$ 37,632	\$ 367,431	\$ 619,395	\$ -	\$ 65,681	\$ 9,275	\$ -	\$ 34,891

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	Early Intervention Grant	Miscellaneous Donations	Dekko Arts Partnership Grant	Miscellaneous Grants	FIST Grants	Instruction Support	Extra- Curricular Activities	Wellness
Cash and investments - beginning	\$ -	\$ 3,153	\$ -	\$ 1,332	\$ 478	\$ -	\$ 8,461	\$ 38,360
Receipts:								
Local sources	-	1,882	-	2,130	2,500	-	6,318	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	1,882	-	2,130	2,500	-	6,318	-
Disbursements:								
Current:								
Instruction	-	2,243	-	818	1,859	-	13,416	-
Support services	-	-	-	-	-	-	623	23,391
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	2,243	-	818	1,859	-	14,039	23,391
Excess (deficiency) of receipts over disbursements	-	(361)	-	1,312	641	-	(7,721)	(23,391)
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	-	(361)	-	1,312	641	-	(7,721)	(23,391)
Cash and investments - ending	\$ -	\$ 2,792	\$ -	\$ 2,644	\$ 1,119	\$ -	\$ 740	\$ 14,969

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	McCutchan Scholarship	Coca Cola Commissions	High Ability 2011-2012	High Ability 2012-2013	High Ability 2013-2014	Education Technology	Secured Schools Safety Grant	Non-English Speaking Programs 2012-2013
Cash and investments - beginning	\$ 150	\$ -	\$ -	\$ 9,482	\$ -	\$ -	\$ -	\$ 4,583
Receipts:								
Local sources	-	3,048	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	36,700	277,176	6,008	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	3,048	-	-	36,700	277,176	6,008	-
Disbursements:								
Current:								
Instruction	-	-	-	9,482	20,234	-	-	4,583
Support services	-	3,048	-	-	-	277,176	24,615	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	3,048	-	9,482	20,234	277,176	24,615	4,583
Excess (deficiency) of receipts over disbursements	-	-	-	(9,482)	16,466	-	(18,607)	(4,583)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	10,132	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	10,132	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(9,482)	16,466	-	(8,475)	(4,583)
Cash and investments - ending	\$ 150	\$ -	\$ -	\$ -	\$ 16,466	\$ -	\$ (8,475)	\$ -

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Non-English Speaking Programs 2013-2014	School Technology	Tech Breakage Assessments	Title I 2011-2012	Title I 2012-2013	Title I 2013-2014	Title II 2011-2012	Title II 2012-2013
Cash and investments - beginning	\$ -	\$ 23,680	\$ -	\$ -	\$ (53,926)	\$ -	\$ -	\$ (5,895)
Receipts:								
Local sources	-	35,518	30	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	12,292	4,661	-	-	-	-	-	-
Federal sources	-	-	-	-	147,015	329,053	-	29,891
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	12,292	40,179	30	-	147,015	329,053	-	29,891
Disbursements:								
Current:								
Instruction	6,724	-	-	-	78,473	321,361	-	-
Support services	-	3,850	-	-	14,140	70,406	-	23,996
Noninstructional services	94	-	-	-	476	5,081	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	6,818	3,850	-	-	93,089	396,848	-	23,996
Excess (deficiency) of receipts over disbursements	5,474	36,329	30	-	53,926	(67,795)	-	5,895
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	5,474	36,329	30	-	53,926	(67,795)	-	5,895
Cash and investments - ending	\$ 5,474	\$ 60,009	\$ 30	\$ -	\$ -	\$ (67,795)	\$ -	\$ -



METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Title II 2013-2014	Title III 2011-2012	Title III 2012-2013	Title III 2013-2014	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (3,990)	\$ -	\$ -	\$ 17,109	\$ 8,719,269
Receipts:							
Local sources	-	-	-	-	-	-	11,985,798
Intermediate sources	-	-	-	-	-	-	339
State sources	-	-	-	-	-	-	19,220,003
Federal sources	71,175	-	4,422	13,802	-	-	1,389,468
Temporary loans	-	-	-	-	-	-	496,715
Other	-	-	-	-	-	5,523,858	5,523,958
Total receipts	71,175	-	4,422	13,802	-	5,523,858	38,616,281
Disbursements:							
Current:							
Instruction	-	-	432	15,295	-	-	13,237,536
Support services	74,251	-	-	-	-	-	10,039,510
Noninstructional services	-	-	-	-	-	-	1,693,961
Facilities acquisition and construction	-	-	-	-	-	-	1,406,815
Debt services	-	-	-	-	-	-	6,212,026
Nonprogrammed charges	-	-	-	-	-	5,522,775	5,522,775
Total disbursements	74,251	-	432	15,295	-	5,522,775	38,112,623
Excess (deficiency) of receipts over disbursements	(3,076)	-	3,990	(1,493)	-	1,083	503,658
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	112,225
Transfers out	-	-	-	-	-	-	(112,225)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,076)	-	3,990	(1,493)	-	1,083	503,658
Cash and investments - ending	\$ (3,076)	\$ -	\$ -	\$ (1,493)	\$ -	\$ 18,192	\$ 9,222,927

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 458,018</u>	<u>\$ 72,363</u>

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
SCHEDULE OF LEASES AND DEBT  
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Angola Middle School Building Corporation	Middle School 2008 refunding lease	\$ 2,268,250	7/1/2008	7/1/2016
M.S.D. of Steuben County K-5 Building Corporation	Ryan Park Elementaries 2014 refunding lease	<u>1,976,606</u>	7/15/2014	1/15/2026
Total of annual lease payments		<u><u>\$ 4,244,856</u></u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Refunding 2011 Bonds	\$ 570,000	\$ 580,664
General obligation bonds	Pension Obligation Bonds	3,575,000	618,378
Tax anticipation warrants	Temporary Loan-Indiana Bond Bank	496,715	500,175
Notes and loans payable	Common School Loans	<u>278,476</u>	<u>60,368</u>
Totals		<u><u>\$ 4,920,191</u></u>	<u><u>\$ 1,759,585</u></u>

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METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2014

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

	Ending Balance
Governmental activities:	
Land	\$ 2,050,903
Buildings	55,195,260
Improvements other than buildings	1,792,249
Machinery, equipment, and vehicles	6,675,848
Books and other	<u>2,427,735</u>
Total capital assets	<u><u>\$ 68,141,995</u></u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT  
OF STEUBEN COUNTY, STEUBEN COUNTY, INDIANA

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

We have audited the Metropolitan School District of Steuben County's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2012 to June 30, 2014.



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

***Other Matters***

This report replaces the previously issued Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance dated March 18, 2015. The Schedule of Expenditures of Federal Awards has been revised to correct a misstatement. This correction changed the determination of the major programs. The Special Education Cluster (IDEA) was also audited as a major program due to the change.

***Report on Internal Control Over Compliance***

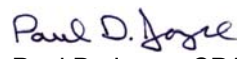
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over 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 OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002 and 2014-003 to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

March 18, 2015, except the Special Education Cluster (IDEA), as to which the date is January 14, 2016

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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.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2013 and 2014

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	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>U.S. Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
			FY 12-13	\$ 159,680	\$ -
			FY 13-14	-	138,837
Total - School Breakfast Program				159,680	138,837
National School Lunch Program	Indiana Department of Education	10.555			
			FY 12-13	739,590	-
			FY 13-14	-	743,591
Total - National School Lunch Program				739,590	743,591
Summer Food Service Program for Children	Indiana Department of Education	10.559			
			FY 12-13	26,642	-
			FY 13-14	-	11,091
Total - Summer Food Service Program for Children				26,642	11,091
Total - Child Nutrition Cluster				925,912	893,519
Total - U.S. Department of Agriculture				925,912	893,519
<u>U.S. Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			12-7615	161,334	-
			13-7615	500,761	147,015
			14-7615	-	329,053
Total - Title I, Part A Cluster				662,095	476,068
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027			
			14212-046-PN01	223,779	-
			14213-046-PN01	386,669	229,247
			14214-046-PN01	-	428,219
			99914-046-TA01	-	6,450
Total - Special Education - Grants to States				610,448	663,916

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

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2013 and 2014  
(Continued)

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	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>U.S. Department of Education (continued)</u>					
Special Education Cluster (IDEA) (continued)					
Special Education - Preschool Grants	Indiana Department of Education	84.173			
			45713-046-PN01	20,042	-
			45714-046-PN01	-	19,042
				<u>20,042</u>	<u>19,042</u>
Total - Special Education - Preschool Grants				<u>20,042</u>	<u>19,042</u>
Total - Special Education Cluster (IDEA)				<u>630,490</u>	<u>682,958</u>
English Language Acquisition State Grants	Indiana Department of Education	84.365			
			01112-078-PN01	5,326	-
			01113-081-PN01	13,000	4,422
			01114-048-PN01	-	13,802
				<u>18,326</u>	<u>18,224</u>
Total - English Language Acquisition State Grants				<u>18,326</u>	<u>18,224</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			FY 2010	69,221	-
			FY 2011	69,022	29,891
			FY 2012	-	71,175
				<u>138,243</u>	<u>101,066</u>
Total - Improving Teacher Quality State Grants				<u>138,243</u>	<u>101,066</u>
Education Jobs Fund	Indiana Department of Education	84.410			
			11-7615	167,106	-
				<u>167,106</u>	<u>-</u>
Total - U.S. Department of Education				<u>1,616,260</u>	<u>1,278,316</u>
Total federal awards expended				<u>\$ 2,542,172</u>	<u>\$ 2,171,835</u>

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

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School Corporation and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 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. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
Child Nutrition Cluster:			
Food Commodities:			
National School Lunch Program	10.555	<u>\$ 103,866</u>	<u>\$ 99,409</u>

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
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 deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

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

**Section II - Financial Statement Findings**

**FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to cash, receipts, and payroll. Receipts are posted, deposits are prepared, and the bank reconciliation is prepared by the same person. There is no evidence that someone reviews the bank reconciliation or that someone other than the preparer of the bank deposits reviews and

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

takes the deposits to the bank. Payroll is prepared and direct deposits are transmitted by the same person. No one reviews the payroll prior to transmission. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

***FINDING 2014-002 - INTERNAL CONTROL OVER CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture

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

CFDA Number: 10.555, 10.553, 10.559

Award Number and Year (or Other Identifying Number): FY 12-13 and FY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement for Activities Allowed, Allowable Costs, Program Income, and Reporting compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

***Activities Allowed/Allowable Costs/Program Income***

The School Corporation used the Child Nutrition grants and program income to supplement allowable employees' payroll. The School Corporation has a lack of internal control over payroll processing. For payroll processing, the same person enters the payroll, processes the payroll, and performs the direct deposits of payroll. No payroll review is performed prior to the direct deposits of payroll. The failure to establish these controls could enable unallowable payroll costs or other irregularities to occur and go undetected.

***Reporting***

The School Corporation must submit a monthly sponsor claim for reimbursement of meals served and an Annual Financial Report to the Indiana Department of Education. The School Corporation has a lack of internal control over the preparation of these two reports. The individual preparing the report will submit the report without a secondary review from another individual.



METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

***FINDING 2014-003 - INTERNAL CONTROL OVER TITLE I  
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Award Number and Year (or Other Identifying Number): 12-7615, 13-7615, and 14-7615

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed and Allowable Costs.

The School Corporation used the Title I grant to supplement allowable employees' payroll. The School Corporation has a lack of internal control over payroll processing. For payroll processing, the same person enters the payroll, processes the payroll, and performs the direct deposits of payroll. No payroll review is performed prior to the direct deposits of payroll. The failure to establish these controls could enable unallowable payroll costs or other irregularities to occur and go undetected.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

#### AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.

# METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY

400 SOUTH MARTHA STREET ♦ ANGOLA, INDIANA 46703 ♦ 260.665.2854 ♦ FAX: 260.665.9155 ♦ Internet Home Page: [www.msdssteuben.k12.in.us](http://www.msdssteuben.k12.in.us)

Dr. Brent A. Wilson  
Superintendent

Mr. Mike Christ  
Asst. Superintendent

Mrs. Cyndi Nusbaum  
Director of Curriculum &  
Instruction

Mr. Mike Wenzel  
Technology Coordinator

Mrs. Monte VanGessel  
Business Manager

Mrs. Stephanie Haynes-  
Clifford  
Food Service Director

Mr. Scott Poor  
Transportation  
Director/AHS Asst.  
Principal

## BOARD OF SCHOOL TRUSTEES

Mr. Brad Gardner  
President

Mr. Kevin R. Beard  
Vice President

Mrs. Trishia Stites  
Secretary

Mr. Michael D. Holcomb  
Member

Mrs. Kim Hutchins  
Member

SCHOOL ATTORNEY  
Mr. Kim E. Shoup  
Attorney At Law

## CORRECTIVE ACTION PLAN

### ***FINDING 2014-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

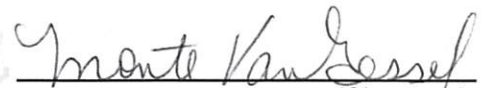
Contact Person Responsible for Corrective Action: Monte VanGessel  
Contact Phone Number: 260 665-2854 xt1208

#### Description of Corrective Action Plan:

Payroll Processing: The Payroll Clerk will prepare the payroll and print the *Payroll Distribution Report*. The Human Resources Director will review this report and initial and date the last recap page if all is in order. A copy of this signed recap page will be forwarded to the Business Manager. The Payroll Clerk will then complete the ACH file for submission to the bank for direct deposit to employee accounts. She will also post these to the appropriations. This posting generates a *Fund Transaction Edit* which will be given to the Business Manager for comparison to the recap page of the *Payroll Distribution Report*. Both pages will be initialed by the Business Manager if they match and then filed together.

Cash Receipts: The corporation Assistant Treasurer (AT) will collect all money received in the corporation on a daily basis. All funds remitted will be accompanied by a recap sheet signed by the person submitting the funds. The AT will verify the collections and prepare a receipt in duplicate as well as the bank deposit. A duplicate of the receipt will be returned to the submitter. This bank deposit will be reviewed, initialed, and taken to the bank by the Payroll Clerk or Business Manager daily. They will then return the deposit slip to the AT. Every other month the bank reconciliation will be done by the ECA Treasurer. Each month the Business Manager will review and initial the bank reconciliation.

Anticipated Completion Date: Immediately

  
(Signature)

Business Manager/Treasurer  
(Title)

3-18-2015  
(Date)

# METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY

400 SOUTH MARTHA STREET ♦ ANGOLA, INDIANA 46703 ♦ 260.665.2854 ♦ FAX: 260.665.9155 ♦ Internet Home Page: [www.msdsieben.k12.in.us](http://www.msdsieben.k12.in.us)

**Dr. Brent A. Wilson**  
Superintendent

**Mr. Mike Christ**  
Asst. Superintendent

**Mrs. Cyndi Nusbaum**  
Director of Curriculum &  
Instruction

**Mr. Mike Wenzel**  
Technology Coordinator

**Mrs. Monte VanGessel**  
Business Manager

**Mrs. Stephanie Haynes-  
Clifford**  
Food Service Director

**Mr. Scott Poor**  
Transportation  
Director/AHS Asst.  
Principal

## BOARD OF SCHOOL TRUSTEES

**Mr. Brad Gardner**  
President

**Mr. Kevin R. Beard**  
Vice President

**Mrs. Trishia Stites**  
Secretary

**Mr. Michael D. Holcomb**  
Member

**Mrs. Kim Hutchins**  
Member

SCHOOL ATTORNEY  
**Mr. Kim E. Shoup**  
Attorney At Law

## CORRECTIVE ACTION PLAN

### **FINDING 2014-002 INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER**

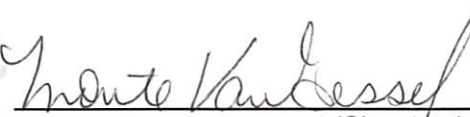
Federal Agency: U.S. Department of Agriculture  
Federal Program: National School Lunch Program, School Breakfast Program, Summer Food Service Program for Children  
CFDA Number: 10.555, 10.553, 10.559  
Federal Award Number and Year: 7615 FY 2013 and FY 2014  
Pass Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Monte VanGessel  
Contact Phone Number: 260 665-2854 xt1208

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**Program Reporting:** The Food Service Administrative Assistant will prepare the monthly sponsor claim for reimbursement of meals served. The Food Service Director will review and initial the claim prior to submission. The Food Service Director will prepare the annual financial report. This will be reviewed by the school corporation Business Manager who will initial prior to filing with the Indiana Department of Education.

Anticipated Completion Date: Immediately

  
(Signature)

Business Manager/Treasurer  
(Title)





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Member

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**Mr. Kim E. Shoup**  
Attorney At Law

## CORRECTIVE ACTION PLAN


### ***FINDING 2014-003 INTERNAL CONTROLS OVER TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Number and Year: 7615 FY 2013 and FY 2014  
Pass Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Monte VanGessel  
Contact Phone Number: 260 665-2854 xt1208

#### Description of Corrective Action Plan:

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Anticipated Completion Date: Immediately

  
(Signature)

Business Manager/Treasurer  
(Title)

3-18-2015  
(Date)

#### OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.