

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

MSD OF WARREN COUNTY  
WARREN COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
05/22/2015



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nanette Ware	07-01-12 to 06-30-15
Superintendent of Schools	Ralph Shrader	07-01-12 to 06-30-15
President of the School Board	Dr. Gary Greenwood, DVM John Hegg Steve Magner	07-01-12 to 06-30-13 07-01-13 to 06-30-14 07-01-14 to 06-30-15



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MSD OF WARREN COUNTY, WARREN COUNTY, INDIANA

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the MSD of Warren 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.

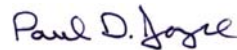
*Other Information*

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 April 16, 2015, 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

April 16, 2015



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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 MSD OF WARREN COUNTY, WARREN 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 MSD of Warren 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 April 16, 2015, 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 entity's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



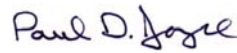
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***

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

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

April 16, 2015

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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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MSD OF WARREN 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	\$ 1,602,509	\$ 7,244,229	\$ 7,394,901	\$ -	\$ 1,451,837	\$ 7,303,415	\$ 7,253,475	\$ 1,351	\$ 1,503,128
Debt Service	462,752	889,825	871,750	-	480,827	967,927	937,430	(36,562)	474,762
Capital Projects	433,406	1,243,525	1,076,305	(207,080)	393,546	1,276,957	1,440,754	-	229,749
School Transportation	88,460	861,894	825,514	(28,876)	95,964	881,813	776,930	(26,987)	173,860
School Bus Replacement	-	258,830	150,380	(108,449)	1	264,726	225,000	(39,727)	-
Rainy Day	408,697	-	329,979	344,405	423,123	12,352	291,663	95,617	239,429
Construction	-	-	259,907	2,123,216	1,863,309	-	1,863,309	-	-
School Lunch	148,014	594,081	636,346	-	105,749	576,245	546,685	-	135,309
Textbook Rental	138,784	143,178	104,207	-	177,755	148,882	178,708	-	147,929
Educational License Plates	677	188	-	-	865	206	-	-	1,071
Early Intervention Grant	-	29,186	29,186	-	-	30,000	30,000	-	-
Adult and Continuing Education	(15,380)	15,380	-	-	-	-	-	-	-
Adult and Continuing Education 2012-2013	-	105,195	102,122	-	3,073	4,487	7,560	-	-
Adult and Continuing Education 2013-2014	-	-	-	-	-	122,950	127,078	-	(4,128)
PAC Fund	4,931	1,415	1,070	-	5,276	210	1,742	-	3,744
St. Vincent AHA	-	1,200	-	-	1,200	-	143	-	1,057
Seeger Scholarship Trust	362,734	101,088	78,850	-	384,972	94,733	85,525	-	394,180
Steinbaugh Scholarship Trust	21,663	4,809	2,650	-	23,822	4,870	7,075	-	21,617
Three J's Donation	110	-	110	-	-	-	-	-	-
Credit Card Payment Fund	-	-	-	-	-	17,395	17,395	-	-
Cape Grant Interest Fund	148,219	66,261	74,610	-	139,870	66,150	76,666	-	129,354
Prof. Development	23,183	1,373	18,801	-	5,755	-	5,755	-	-
County Drug Grant Funds	697	3,300	1,593	-	2,404	4,900	2,526	-	4,778
Young Explorers Fund	2,057	-	1,803	-	254	-	254	-	-
Ridenour Fund	5,338	6,310	7,097	-	4,551	45,202	19,662	-	30,091
Harmon Fund	133,685	320,425	295,685	-	158,425	106,775	180,888	-	84,312
Martindale Fund	123,626	31,820	48,573	-	106,873	31,820	90,542	-	48,151
Gifted/Talented 2011-2012	2,055	-	2,055	-	-	-	-	-	-
Gifted/Talented 2012-2013	-	29,685	27,617	-	2,068	-	2,068	-	-
High Ability Grant 2013-2014	-	-	-	-	-	28,795	28,795	-	-
Common School Tech Advance 2012-2013	-	29,989	29,989	-	-	-	-	-	-
Common School Tech Advance 2013-2014	-	-	-	-	-	152,719	152,719	-	-
Secured School Safety Grant	-	-	-	-	-	-	20,650	-	(20,650)
Extra-Curricular Activities	-	13,611	13,611	-	-	11,690	11,690	-	-
School Technology	-	18,905	7,902	-	11,003	43,293	33,725	-	20,571
Indiana School Academic Improvement Program (ISAIP)	-	70,000	70,000	-	-	-	-	-	-
Learning Center Fund	97,559	18,562	15,487	-	100,634	18,593	23,950	-	95,277
Amphitheater Grant	53,104	-	74,148	-	(21,044)	21,044	-	-	-
Band Storage Unit Grant	-	-	-	-	-	21,751	29,593	-	(7,842)
Excess PTRC Distributions	69,078	-	-	-	69,078	-	-	-	69,078
Wellness Program Fund	1,949	200	2,000	-	149	3,000	3,000	-	149
Title I	(22,239)	158,750	136,511	-	-	117,361	117,361	-	-
PL 101-476 IDEA	(67,312)	275,989	286,954	-	(78,277)	371,963	293,735	-	(49)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	-	-	-	6,691	6,691	-	-
PL 99-457 Preschool Handicap	-	10,324	10,324	-	-	9,959	9,959	-	-
Career Incentive	-	11,000	11,000	-	-	-	-	-	-
College Prep Fund	12,775	-	-	-	12,775	-	-	-	12,775
Medicaid Reimbursement - Federal	4,499	-	-	-	4,499	-	-	-	4,499
Class Size Reduction	-	25,000	25,000	-	-	22,100	25,000	-	(2,900)
ITQ, Enhanced Education Through Technology, Title II, Part D	(3,901)	51,535	47,634	-	-	38,237	38,237	-	-
Education Jobs	-	4,991	4,991	-	-	-	-	-	-
Payroll Clearing	-	2,062,529	2,062,529	-	-	2,079,754	2,079,754	-	-
Totals	\$ 4,241,729	\$ 14,704,582	\$ 15,139,191	\$ 2,123,216	\$ 5,930,336	\$ 14,908,965	\$ 17,043,692	\$ (6,308)	\$ 3,789,301

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

MSD OF WARREN 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.

MSD OF WARREN 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.

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:

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

MSD OF WARREN COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

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.



MSD OF WARREN COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. *Deposits and Investments***

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, 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

MSD OF WARREN COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

**B. Teachers' Retirement Fund**

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

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

MSD OF WARREN COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 8. *Holding Corporations***

The School Corporation has entered into a capital lease with Warren County 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 ending June 30, 2013 and 2014, totaled \$439,000 and \$440,500, respectively.

The School Corporations has entered into a capital lease with Seeger 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 ending June 30, 2013 and 2014, totaled \$431,500 and \$430,000, respectively.

**Note 9. *Other Postemployment Benefits***

The School Corporation provides to eligible retirees (retired certified teachers only) a payment of \$2,500 every six months until they reach 65 years of age. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://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.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 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.

MSD OF WARREN 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental	Educational License Plates
Cash and investments - beginning	\$ 1,602,509	\$ 462,752	\$ 433,406	\$ 88,460	\$ -	\$ 408,697	\$ -	\$ 148,014	\$ 138,784	\$ 677
Receipts:										
Local sources	68,161	889,825	1,233,945	861,317	258,830	-	-	305,148	105,783	-
Intermediate sources	1,051	-	-	-	-	-	-	-	-	188
State sources	7,175,017	-	-	-	-	-	-	7,715	37,395	-
Federal sources	-	-	-	-	-	-	-	281,218	-	-
Other	-	-	9,580	577	-	-	-	-	-	-
Total receipts	7,244,229	889,825	1,243,525	861,894	258,830	-	-	594,081	143,178	188
Disbursements:										
Current:										
Instruction	4,800,819	-	-	-	-	-	-	-	-	-
Support services	2,444,902	-	450,816	825,514	150,380	-	259,907	640	104,207	-
Noninstructional services	149,180	-	-	-	-	-	-	635,706	-	-
Facilities acquisition and construction	-	-	625,489	-	-	329,979	-	-	-	-
Debt services	-	871,750	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	7,394,901	871,750	1,076,305	825,514	150,380	329,979	259,907	636,346	104,207	-
Excess (deficiency) of receipts over disbursements	(150,672)	18,075	167,220	36,380	108,450	(329,979)	(259,907)	(42,265)	38,971	188
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	2,123,216	-	-	-
Transfers in	-	-	-	-	-	344,405	-	-	-	-
Transfers out	-	-	(207,080)	(28,876)	(108,449)	-	-	-	-	-
Total other financing sources (uses)	-	-	(207,080)	(28,876)	(108,449)	344,405	2,123,216	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(150,672)	18,075	(39,860)	7,504	1	14,426	1,863,309	(42,265)	38,971	188
Cash and investments - ending	\$ 1,451,837	\$ 480,827	\$ 393,546	\$ 95,964	\$ 1	\$ 423,123	\$ 1,863,309	\$ 105,749	\$ 177,755	\$ 865

MSD OF WARREN 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	Adult and Continuing Education	Adult and Continuing Education 2012-2013	PAC Fund	St. Vincent AHA	Seeger Scholarship Trust	Steinbaugh Scholarship Trust	Three J's Donation	Cape Grant Interest Fund
Cash and investments - beginning	\$ -	\$ (15,380)	\$ -	\$ 4,931	\$ -	\$ 362,734	\$ 21,663	\$ 110	\$ 148,219
Receipts:									
Local sources	-	-	-	415	-	69,712	4,809	-	66,261
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	29,186	-	-	-	-	-	-	-	-
Federal sources	-	15,380	105,195	-	-	-	-	-	-
Other	-	-	-	1,000	1,200	31,376	-	-	-
Total receipts	29,186	15,380	105,195	1,415	1,200	101,088	4,809	-	66,261
Disbursements:									
Current:									
Instruction	29,186	-	102,122	-	-	-	-	110	-
Support services	-	-	-	-	-	250	250	-	107
Noninstructional services	-	-	-	1,070	-	-	-	-	70,072
Facilities acquisition and construction	-	-	-	-	-	-	-	-	4,431
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	78,600	2,400	-	-
Total disbursements	29,186	-	102,122	1,070	-	78,850	2,650	110	74,610
Excess (deficiency) of receipts over disbursements	-	15,380	3,073	345	1,200	22,238	2,159	(110)	(8,349)
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	-	15,380	3,073	345	1,200	22,238	2,159	(110)	(8,349)
Cash and investments - ending	\$ -	\$ -	\$ 3,073	\$ 5,276	\$ 1,200	\$ 384,972	\$ 23,822	\$ -	\$ 139,870

MSD OF WARREN 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)

	Prof. Development	County Drug Grant Funds	Young Explorers Fund	Ridenour Fund	Harmon Fund	Martindale Fund	Gifted/ Talented 2011-2012	Gifted/ Talented 2012-2013	Common School Tech Advance 2012-2013
Cash and investments - beginning	\$ 23,183	\$ 697	\$ 2,057	\$ 5,338	\$ 133,685	\$ 123,626	\$ 2,055	\$ -	\$ -
Receipts:									
Local sources	1,373	3,300	-	497	80,848	31,820	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	29,685	29,989
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	5,813	239,577	-	-	-	-
Total receipts	1,373	3,300	-	6,310	320,425	31,820	-	29,685	29,989
Disbursements:									
Current:									
Instruction	-	-	1,803	-	21,046	-	2,055	27,617	-
Support services	18,801	1,593	-	7,097	274,639	48,573	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	29,989
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	18,801	1,593	1,803	7,097	295,685	48,573	2,055	27,617	29,989
Excess (deficiency) of receipts over disbursements	(17,428)	1,707	(1,803)	(787)	24,740	(16,753)	(2,055)	2,068	-
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	(17,428)	1,707	(1,803)	(787)	24,740	(16,753)	(2,055)	2,068	-
Cash and investments - ending	\$ 5,755	\$ 2,404	\$ 254	\$ 4,551	\$ 158,425	\$ 106,873	\$ -	\$ 2,068	\$ -



MSD OF WARREN 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)

	Extra- Curricular Activities	School Technology	Indiana School Academic Improvement Program (ISAIP)	Learning Center Fund	Amphitheater Grant	Excess PTRC Distributions	Wellness Program Fund	Title I	PL 104-476 IDEA
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 97,559	\$ 53,104	\$ 69,078	\$ 1,949	\$ (22,239)	\$ (67,312)
Receipts:									
Local sources	13,611	-	-	18,562	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	6,405	70,000	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	158,750	275,989
Other	-	12,500	-	-	-	-	200	-	-
Total receipts	13,611	18,905	70,000	18,562	-	-	200	158,750	275,989
Disbursements:									
Current:									
Instruction	-	-	70,000	15,487	-	-	-	135,511	286,954
Support services	-	-	-	-	-	-	2,000	1,000	-
Noninstructional services	13,611	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	7,902	-	-	74,148	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	13,611	7,902	70,000	15,487	74,148	-	2,000	136,511	286,954
Excess (deficiency) of receipts over disbursements	-	11,003	-	3,075	(74,148)	-	(1,800)	22,239	(10,965)
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	-	11,003	-	3,075	(74,148)	-	(1,800)	22,239	(10,965)
Cash and investments - ending	\$ -	\$ 11,003	\$ -	\$ 100,634	\$ (21,044)	\$ 69,078	\$ 149	\$ -	\$ (78,277)

MSD OF WARREN 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)

	PL 99-457 Preschool Handicap	Career Incentive	College Prep Fund	Medicaid Reimbursement - Federal	Class Size Reduction	ITQ, Enhanced Education Through Technology, Title II, Part D	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 12,775	\$ 4,499	\$ -	\$ (3,901)	\$ -	\$ -	\$ 4,241,729
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,014,217
Intermediate sources	-	-	-	-	-	-	-	-	1,239
State sources	-	-	-	-	25,000	-	-	-	7,410,392
Federal sources	10,324	11,000	-	-	-	51,535	4,991	-	914,382
Other	-	-	-	-	-	-	-	2,062,529	2,364,352
Total receipts	10,324	11,000	-	-	25,000	51,535	4,991	2,062,529	14,704,582
Disbursements:									
Current:									
Instruction	-	11,000	-	-	25,000	46,434	4,991	-	5,580,135
Support services	10,324	-	-	-	-	1,200	-	-	4,602,200
Noninstructional services	-	-	-	-	-	-	-	-	869,639
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,071,938
Debt services	-	-	-	-	-	-	-	-	871,750
Nonprogrammed charges	-	-	-	-	-	-	-	2,062,529	2,143,529
Total disbursements	10,324	11,000	-	-	25,000	47,634	4,991	2,062,529	15,139,191
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	3,901	-	-	(434,609)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	2,123,216
Transfers in	-	-	-	-	-	-	-	-	344,405
Transfers out	-	-	-	-	-	-	-	-	(344,405)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	2,123,216
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	3,901	-	-	1,688,607
Cash and investments - ending	\$ -	\$ -	\$ 12,775	\$ 4,499	\$ -	\$ -	\$ -	\$ -	\$ 5,930,336

MSD OF WARREN 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental	Educational License Plates
Cash and investments - beginning	\$ 1,451,837	\$ 480,827	\$ 393,546	\$ 95,964	\$ 1	\$ 423,123	\$ 1,863,309	\$ 105,749	\$ 177,755	\$ 865
Receipts:										
Local sources	57,167	967,927	1,272,418	870,211	264,726	-	-	271,052	110,748	-
Intermediate sources	1,051	-	-	-	-	-	-	-	-	206
State sources	7,179,745	-	-	-	-	-	-	7,608	38,134	-
Federal sources	-	-	-	-	-	-	-	297,585	-	-
Other	65,452	-	4,539	11,602	-	12,352	-	-	-	-
Total receipts	7,303,415	967,927	1,276,957	881,813	264,726	12,352	-	576,245	148,882	206
Disbursements:										
Current:										
Instruction	4,780,216	-	-	-	-	-	-	-	-	-
Support services	2,323,457	-	832,235	776,930	225,000	-	1,863,309	532	178,708	-
Noninstructional services	149,802	-	-	-	-	-	-	546,153	-	-
Facilities acquisition and construction	-	-	608,519	-	-	291,663	-	-	-	-
Debt services	-	937,430	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	7,253,475	937,430	1,440,754	776,930	225,000	291,663	1,863,309	546,685	178,708	-
Excess (deficiency) of receipts over disbursements	49,940	30,497	(163,797)	104,883	39,726	(279,311)	(1,863,309)	29,560	(29,826)	206
Other financing sources (uses):										
Sale of capital assets	1,351	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	95,617	-	-	-	-
Transfers out	-	(36,562)	-	(26,987)	(39,727)	-	-	-	-	-
Total other financing sources (uses)	1,351	(36,562)	-	(26,987)	(39,727)	95,617	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	51,291	(6,065)	(163,797)	77,896	(1)	(183,694)	(1,863,309)	29,560	(29,826)	206
Cash and investments - ending	\$ 1,503,128	\$ 474,762	\$ 229,749	\$ 173,860	\$ -	\$ 239,429	\$ -	\$ 135,309	\$ 147,929	\$ 1,071

MSD OF WARREN 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	Adult and Continuing Education 2012-2013	Adult and Continuing Education 2013-2014	PAC Fund	St. Vincent AHA	Seeger Scholarship Trust	Steinbaugh Scholarship Trust	Credit Card Payment Fund	Cape Grant Interest Fund
Cash and investments - beginning	\$ -	\$ 3,073	\$ -	\$ 5,276	\$ 1,200	\$ 384,972	\$ 23,822	\$ -	\$ 139,870
Receipts:									
Local sources	-	-	-	210	-	65,733	4,870	-	66,150
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	30,000	-	-	-	-	-	-	-	-
Federal sources	-	4,487	122,950	-	-	-	-	-	-
Other	-	-	-	-	-	29,000	-	17,395	-
Total receipts	30,000	4,487	122,950	210	-	94,733	4,870	17,395	66,150
Disbursements:									
Current:									
Instruction	30,000	7,560	127,078	-	-	-	-	-	-
Support services	-	-	-	-	143	4,525	475	17,395	112
Noninstructional services	-	-	-	1,742	-	-	-	-	73,012
Facilities acquisition and construction	-	-	-	-	-	-	-	-	3,542
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	81,000	6,600	-	-
Total disbursements	30,000	7,560	127,078	1,742	143	85,525	7,075	17,395	76,666
Excess (deficiency) of receipts over disbursements	-	(3,073)	(4,128)	(1,532)	(143)	9,208	(2,205)	-	(10,516)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(3,073)	(4,128)	(1,532)	(143)	9,208	(2,205)	-	(10,516)
Cash and investments - ending	\$ -	\$ -	\$ (4,128)	\$ 3,744	\$ 1,057	\$ 394,180	\$ 21,617	\$ -	\$ 129,354

MSD OF WARREN 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)

	Prof. Development	County Drug Grant Funds	Young Explorers Fund	Ridenour Fund	Harmon Fund	Martindale Fund	Gifted/ Talented 2012-2013	High Ability Grant 2013-2014	Common School Tech Advance 2013-2014
Cash and investments - beginning	\$ 5,755	\$ 2,404	\$ 254	\$ 4,551	\$ 158,425	\$ 106,873	\$ 2,068	\$ -	\$ -
Receipts:									
Local sources	-	4,900	-	16,094	80,000	31,820	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	28,795	152,719
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	29,108	26,775	-	-	-	-
Total receipts	-	4,900	-	45,202	106,775	31,820	-	28,795	152,719
Disbursements:									
Current:									
Instruction	-	-	254	-	124,334	-	2,068	28,795	-
Support services	5,755	2,526	-	19,662	56,554	90,542	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	152,719
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	5,755	2,526	254	19,662	180,888	90,542	2,068	28,795	152,719
Excess (deficiency) of receipts over disbursements	(5,755)	2,374	(254)	25,540	(74,113)	(58,722)	(2,068)	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,755)	2,374	(254)	25,540	(74,113)	(58,722)	(2,068)	-	-
Cash and investments - ending	\$ -	\$ 4,778	\$ -	\$ 30,091	\$ 84,312	\$ 48,151	\$ -	\$ -	\$ -

MSD OF WARREN 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)

	Secured School Safety Grant	Extra- Curricular Activities	School Technology	Learning Center Fund	Amphitheater Grant	Band Storage Unit Grant	Excess PTRC Distributions	Wellness Program Fund	Title I
Cash and investments - beginning	\$ -	\$ -	\$ 11,003	\$ 100,634	\$ (21,044)	\$ -	\$ 69,078	\$ 149	\$ -
Receipts:									
Local sources	-	11,690	-	18,593	21,044	21,751	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	5,357	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	117,361
Other	-	-	37,936	-	-	-	-	3,000	-
Total receipts	-	11,690	43,293	18,593	21,044	21,751	-	3,000	117,361
Disbursements:									
Current:									
Instruction	-	-	-	23,950	-	-	-	-	116,361
Support services	20,650	-	-	-	-	-	-	3,000	1,000
Noninstructional services	-	11,690	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	33,725	-	-	29,593	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	20,650	11,690	33,725	23,950	-	29,593	-	3,000	117,361
Excess (deficiency) of receipts over disbursements	(20,650)	-	9,568	(5,357)	21,044	(7,842)	-	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(20,650)	-	9,568	(5,357)	21,044	(7,842)	-	-	-
Cash and investments - ending	<u>\$ (20,650)</u>	<u>\$ -</u>	<u>\$ 20,571</u>	<u>\$ 95,277</u>	<u>\$ -</u>	<u>\$ (7,842)</u>	<u>\$ 69,078</u>	<u>\$ 149</u>	<u>\$ -</u>

MSD OF WARREN 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)

	PL 104-476 IDEA	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	PL 99-457 Preschool Handicap	College Prep Fund	Medicaid Reimbursement - Federal	Class Size Reduction	ITQ, Enhanced Education Through Technology, Title II, Part D	Payroll Clearing	Totals
Cash and investments - beginning	\$ (78,277)	\$ -	\$ -	\$ 12,775	\$ 4,499	\$ -	\$ -	\$ -	\$ 5,930,336
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,157,104
Intermediate sources	-	-	-	-	-	-	-	-	1,257
State sources	-	-	-	-	-	22,100	-	-	7,464,458
Federal sources	371,963	6,691	9,959	-	-	-	38,237	-	969,233
Other	-	-	-	-	-	-	-	2,079,754	2,316,913
Total receipts	371,963	6,691	9,959	-	-	22,100	38,237	2,079,754	14,908,965
Disbursements:									
Current:									
Instruction	293,735	6,691	-	-	-	25,000	37,237	-	5,603,279
Support services	-	-	9,959	-	-	-	1,000	-	6,433,469
Noninstructional services	-	-	-	-	-	-	-	-	782,399
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,119,761
Debt services	-	-	-	-	-	-	-	-	937,430
Nonprogrammed charges	-	-	-	-	-	-	-	2,079,754	2,167,354
Total disbursements	293,735	6,691	9,959	-	-	25,000	38,237	2,079,754	17,043,692
Excess (deficiency) of receipts over disbursements	78,228	-	-	-	-	(2,900)	-	-	(2,134,727)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	1,351
Transfers in	-	-	-	-	-	-	-	-	95,617
Transfers out	-	-	-	-	-	-	-	-	(103,276)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(6,308)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	78,228	-	-	-	-	(2,900)	-	-	(2,141,035)
Cash and investments - ending	\$ (49)	\$ -	\$ -	\$ 12,775	\$ 4,499	\$ (2,900)	\$ -	\$ -	\$ 3,789,301

MSD OF WARREN 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>\$ 56,869</u>	<u>\$ -</u>



MSD OF WARREN COUNTY  
SCHEDULE OF LEASES AND DEBT  
June 30, 2014

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities:				
Warren County School Building Corporation	QSCB Loan	\$ 441,000	12/21/2012	12/31/2019
Seeger School Building Corporation	KMS Lease	<u>430,000</u>	6/30/2006	12/30/2021
Total of annual lease payments		<u><u>\$ 871,000</u></u>		

<u>Description of Debt</u>		<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
<u>Type</u>	<u>Purpose</u>		
Governmental activities:			
General obligation bonds	Construction	<u><u>\$ 1,995,000</u></u>	<u><u>\$ 44,832</u></u>

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MSD OF WARREN 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	\$ 760,000
Infrastructure	1,905,288
Buildings	69,746,229
Improvements other than buildings	564,520
Machinery, equipment, and vehicles	<u>4,462,682</u>
Total capital assets	<u><u>\$ 77,438,719</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 MSD OF WARREN COUNTY, WARREN COUNTY, INDIANA

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

We have audited the MSD of Warren 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)

***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 item 2014-001 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

April 16, 2015

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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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MSD OF WARREN 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>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 13 and FY 14	\$ 53,582	\$ 57,918
National School Lunch Program		10.555	FY 13 and FY 14	265,406	282,005
Total - Department of Agriculture				318,988	339,923
<u>Department of Justice</u>					
Juvenile Accountability Block Grant					
Criminal Justice Grant	Indiana Criminal Justice Institute	16.523	FY 13 and FY 14	25,000	22,100
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	12-8115	22,240	-
			13-8115	136,511	-
			14-8115	-	117,362
Total - Title I, Part A Cluster				158,751	117,362
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027	FY 12-13	275,989	85,195
	Indiana Department of Education		FY 13-14	-	286,768
Special Ed Tech Assistance	Indiana Department of Education		99914-90-TA01	-	6,691
Total - Special Education - Grants to States				275,989	378,654
Special Education - Preschool Grants	Indiana Department of Education	84.173	FY 12-13	10,324	9,959
Total - Special Education Cluster (IDEA)				286,313	388,613
Adult Education - Basic Grants to States					
Adult Education	Indiana Department of Education	84.002	FY 13 and FY 14	15,380	47,571
Rehabilitation Services - Vocational Rehabilitation Grants to States	Indiana Department of Education				
Vocational Rehabilitation		84.126	FY 13	11,000	-
Improving Teacher Quality State Grants					
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	FY 13 and FY 14	51,535	38,238
Education Jobs Fund					
Education Jobs Fund	Indiana Department of Education	84.410	FY 13	4,991	-
Total - Department of Education				527,970	591,784
Total federal awards expended				\$ 871,958	\$ 953,807

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

MSD OF WARREN 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	2012-2013	2013-2014
National School Lunch Program	10.555	\$ 37,770	\$ 42,338

MSD OF WARREN 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?	no
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:

Name of Federal Program or Cluster

Child Nutrition Cluster  
Special Education Cluster (IDEA)

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**

No matters are reportable.

MSD OF WARREN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

***FINDING 2014-001 - INTERNAL CONTROLS OVER THE SCHOOL BREAKFAST PROGRAM AND NATIONAL SCHOOL LUNCH PROGRAM***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program and National School Lunch Program  
CFDA Numbers: 10.553 and 10.555  
Federal Award Years: FY 13 and FY 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 and some of the compliance requirements that have a direct and material effect on the programs. This includes the compliance requirements for Cash Management; Reporting; and Procurement and Suspension and Debarment. 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.

*Cash Management*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund's monthly cash balances were in compliance with the Cash Management requirements. A monitoring or review process has not been established to ensure that the School Lunch fund's net cash resources are limited to three months' average expenditures in compliance with Cash Management requirements.

*Reporting*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared and submitted. The monthly reimbursement request report is independently prepared by the Food Service Director and submitted electronically via the Indiana Department of Education's website. There was no oversight, review, or approval process to ensure the monthly reimbursement request reports are correct.

*Procurement and Suspension and Debarment*

The School Corporation has not designed or implemented adequate policies and procedures to verify compliance with Procurement and Suspension and Debarment requirements related to vendors selected for procured products and covered transactions.

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 programs. 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.

MSD OF WARREN 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. Non-compliance with 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 the compliance requirements listed above.

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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.

# Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Mr. Ralph D. Shrader, Superintendent  
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent  
jbeyer@msdwarco.k12.in.us

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2012-1***

Original Assigned SBA Audit Report Number: B41918  
Report Period: 07/01/10 to 06/30/12  
Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Nanette Ware  
Contact Phone Number: (765) – 762-3364

Status of Audit Finding: The internal controls have been corrected.  
The Superintendent is reviewing the receipt edit reports and verifying the information.  
The school lunch collections are reviewed by the ECA Treasurer prior to depositing in the bank. The amount of the receipt is verified the daily cash collections printout.

### ***FINDING 2012-2***

Original Assigned SBA Audit Report Number: B41918  
Report Period: 07/01/10 to 06/30/12  
Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Nanette Ware  
Contact Phone Number: (765) – 762-3364

Status of Audit Finding: The internal controls have been corrected.  
The ECA Treasurers perform the initial application determination and the school lunch director performs the review to verify the initial determination.

### ***FINDING 2012-3***

Original Assigned SBA Audit Report Number: B41918  
Report Period: 07/01/10 to 06/30/12  
Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Nanette Ware  
Contact Phone Number: (765) – 762-3364

Status of Audit Finding: The internal controls have been corrected.  
The superintendent reviews all A/P vouchers for the Special Education Cluster and verifies for proper classification. The Superintendent also reviews the applications for reimbursement prior to submission to the Indiana Department of Education to ensure funds have been expended prior to the submission.

Nanette Ware  
(Signature)

Treasurer  
(Title)

4/16/15  
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)

# Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Mr. Ralph D. Shrader, Superintendent  
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent  
jbeyer@msdwarco.k12.in.us

## CORRECTIVE ACTION PLAN

### *FINDING 2014-001*

Contact Person Responsible for Corrective Action: Nanette Ware  
Contact Phone Number: (765) – 762-3364

Description of Corrective Action Plan: Management of MSD Warren County will establish a proper internal control system as required by federal guidelines to provide 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. Management of MSD Warren County will establish the proper segregation of duties in order to have an effective internal control system.

Anticipated Completion Date: Ongoing: The Superintendent will meet with the corporation treasurer to develop an internal control system which meets the federal requirements. It will be our goal to have a system in place by the close of the 2014-15 school year.

Nanette Ware  
(Signature)

Treasurer  
(Title)

4/16/15  
(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/>.