

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

MACONAQUAH SCHOOL CORPORATION  
MIAMI COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
09/22/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tina M. Bonifant	07-01-13 to 06-30-17
Superintendent of Schools	Dr. Douglas Arnold	07-01-13 to 06-30-17
President of the School Board	Brian Troyer Bob Harkema David Scheblo	01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-16



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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

TO: THE OFFICIALS OF THE MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Maconaquah School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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, 2013 to June 30, 2015.

***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, 2013 to June 30, 2015, 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 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 July 19, 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

July 19, 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 MACONAQUAH SCHOOL CORPORATION, MIAMI 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 Maconaquah School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated July 19, 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 2015-001 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Maconaquah School Corporation's Response to Finding**

The School Corporation's response to the finding 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

July 19, 2016

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved and prepared by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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MACONAQUAH SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 3,565,489	\$ 15,380,913	\$ 15,055,770	\$ -	\$ 3,890,632	\$ 15,352,834	\$ 15,151,316	\$ (75,400)	\$ 4,016,750
Debt Service	824,280	1,273,598	1,232,558	-	865,320	1,382,552	1,240,400	(47,487)	959,985
Capital Projects	538,338	1,470,871	1,931,260	-	77,949	1,504,262	1,394,057	-	188,154
Transportation Operating	46,856	842,150	811,405	-	77,601	896,848	844,763	-	129,686
Transportation School Bus Replacement	518,788	436,247	232,243	-	722,792	451,123	358,320	-	815,595
Rainy Day	553,049	-	-	-	553,049	-	-	-	553,049
Construction/GO Bond 2011	58,839	65	-	-	58,904	18	58,922	-	-
School Lunch	115,395	1,120,954	1,010,052	-	226,297	1,141,099	1,196,263	-	171,133
Textbook Rental	(112,679)	189,552	266,087	-	(189,214)	200,272	133,945	122,887	-
Self-Insurance	1,634,067	2,762,652	2,614,652	-	1,782,067	2,705,790	2,717,812	-	1,770,045
Levy Excess	23,484	-	-	-	23,484	266	-	-	23,750
Educational License Plates	151	113	-	-	264	131	-	-	395
Alternative Education	6,586	11,858	14,709	-	3,735	10,117	7,858	-	5,994
SAFE School Haven	-	-	-	-	-	-	12,500	-	(12,500)
Knights of Columbus Donation	3,087	1,000	2,069	-	2,018	1,323	1,604	-	1,737
50 YR Celebration Fundraiser	-	8,000	896	-	7,104	2,000	8,098	-	1,006
Scholarships Miscellaneous	2,000	2,000	2,500	-	1,500	800	500	-	1,800
Ruth Bare Scholarship	548	-	548	-	-	-	-	-	-
Audra Hays Scholarship	4,121	3,600	2,000	-	5,721	2,500	1,000	-	7,221
Allred Memorial Scholarship	250	750	1,000	-	-	-	-	-	-
Hintz Memorial Scholarship	-	-	-	-	-	1,920	-	-	1,920
Mills Diversity Scholarship	6,000	-	6,000	-	-	-	-	-	-
FFA Scholarships	-	1,250	-	-	1,250	1,250	1,000	-	1,500
Coca Cola Bottling Scholarship	-	-	-	-	-	1,000	-	-	1,000
Northern IND Community Foundation	-	2,300	2,300	-	-	-	-	-	-
Dukes Health Care Foundation	-	-	-	-	-	1,500	1,500	-	-
Miami Cass REMC Stem Grant	-	-	-	-	-	2,500	2,500	-	-
NIPSCO Grant	-	-	-	-	-	1,200	-	-	1,200
Grant Writer Donation	-	55,000	-	-	55,000	-	55,000	-	-
Answers for Autism Grant	-	-	-	-	-	3,000	2,862	-	138
Generation on MS Mini Grant	-	-	-	-	-	500	500	-	-
PLTW Grant	-	20,000	3,200	-	16,800	-	15,429	-	1,371
School Hygiene Program	-	-	-	-	-	1,000	1,000	-	-
High Ability	6,905	37,380	43,575	-	710	34,735	35,024	-	421
Secured Schools Safety Grant	-	-	-	-	-	-	25,000	-	(25,000)
School Technology	-	4,140	3,003	-	1,137	4,191	4,139	-	1,189
PSTEM Subcontract	-	-	-	-	-	6,701	6,701	-	-
Dukes HealthCare Foundation	-	3,920	3,920	-	-	-	-	-	-
E-Learning Grant David C Ford	(3,925)	57,600	59,025	-	(5,350)	32,172	26,822	-	-
Library Endowment	74,683	-	4,920	-	69,763	-	3,560	-	66,203
Title I 12/13	(40,561)	130,358	89,797	-	-	-	-	-	-
Title I 13/14	-	309,439	343,941	-	(34,502)	142,107	107,605	-	-
Title I 14/15	-	-	-	-	-	331,459	368,132	-	(36,673)
(IDEA, Part B) Special Education Improvement	(50,995)	69,561	18,566	-	-	-	-	-	-
Title II, Part A Improving Teacher Quality	(4,163)	77,005	72,842	-	-	61,732	61,732	-	-
Rural Schools and Low Income Program - Pass Through State	-	44,687	44,687	-	-	21,088	31,601	-	(10,513)
Clearing - Cafeteria Prepaid	25,961	32,675	30,269	-	28,367	30,895	27,950	-	31,312
Clearing - Payroll Withholdings	51,763	3,493,027	3,493,748	-	51,042	3,507,643	3,507,434	-	51,251
<b>Totals</b>	<b>\$ 7,848,317</b>	<b>\$ 27,842,665</b>	<b>\$ 27,397,542</b>	<b>\$ -</b>	<b>\$ 8,293,440</b>	<b>\$ 27,838,528</b>	<b>\$ 27,412,849</b>	<b>\$ -</b>	<b>\$ 8,719,119</b>

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

MACONAQUAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

Local sources, 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.

MACONAQUAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*E. Disbursements*

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

Instruction, 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:

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.

MACONAQUAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for 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.

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.

MACONAQUAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

MACONAQUAH SCHOOL CORPORATION  
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 funds being set up as reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2014 and 2015. The Textbook Rental fund has a deficit in cash balances due to payments being made from the fund before sufficient revenue is received.

**Note 8. Holding Corporation**

The School Corporation has entered into a capital lease for 2010 High School and Middle School Electrical Renovations with Maconaquah 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 ended June 30, 2014 and 2015, totaled \$711,000 and \$712,500, respectively.

MACONAQUAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

The School Corporation has entered into a capital lease for 2007 Pipe Creek Elementary Renovations with Maconaquah 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 ended June 30, 2014 and 2015, totaled \$242,000 and \$243,900, respectively.

The School Corporation has entered into a capital lease for 2012 HVAC Mechanical Improvements with Maconaquah 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 ended June 30, 2014 and 2015, totaled \$225,558 and \$206,000, respectively.

**Note 9. Subsequent Events**

The School Corporation entered into a capital lease for School Corporation Wide Building Improvements with Maconaquah School Building Corporation (the lessor) on April 28, 2016, in the amount of \$8,820,000.

**Note 10. Other Postemployment Benefits**

The School Corporation provides, to eligible retirees and their spouses, health/dental insurance benefits. Maconaquah School Corporation contributes 30 percent and the retiree contributes 70 percent. 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.

MACONAQUAH SCHOOL CORPORATION  
 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	Transportation Operating	Transportation School Bus Replacement	Rainy Day	Construction/GO Bond 2011	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 3,565,489	\$ 824,280	\$ 538,338	\$ 46,856	\$ 518,788	\$ 553,049	\$ 58,839	\$ 115,395	\$ (112,679)
Receipts:									
Local sources	95,233	1,273,598	1,470,871	833,198	436,247	-	65	487,545	94,886
Intermediate sources	445	-	-	-	-	-	-	-	-
State sources	15,242,961	-	-	-	-	-	-	5,961	92,056
Federal sources	18,522	-	-	-	-	-	-	623,500	-
Other receipts	23,752	-	-	8,952	-	-	-	3,948	2,610
Total receipts	15,380,913	1,273,598	1,470,871	842,150	436,247	-	65	1,120,954	189,552
Disbursements:									
Instruction	8,494,904	-	-	-	-	-	-	-	-
Support services	5,940,104	-	1,018,493	811,405	232,243	-	-	3,289	121,558
Noninstructional services	243,904	-	-	-	-	-	-	1,002,599	-
Facilities acquisition and construction	376,858	-	768,238	-	-	-	-	4,164	-
Debt services	-	1,232,558	144,529	-	-	-	-	-	144,529
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	15,055,770	1,232,558	1,931,260	811,405	232,243	-	-	1,010,052	266,087
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	325,143	41,040	(460,389)	30,745	204,004	-	65	110,902	(76,535)
Cash and investments - ending	\$ 3,890,632	\$ 865,320	\$ 77,949	\$ 77,601	\$ 722,792	\$ 553,049	\$ 58,904	\$ 226,297	\$ (189,214)

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

	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	SAFE School Haven	Knights of Columbus Donation	50 YR Celebration Fundraiser	Scholarships Miscellaneous
Cash and investments - beginning	\$ 1,634,067	\$ 23,484	\$ 151	\$ 6,586	\$ -	\$ 3,087	\$ -	\$ 2,000
Receipts:								
Local sources	1,735	-	-	-	-	1,000	8,000	2,000
Intermediate sources	-	-	113	-	-	-	-	-
State sources	-	-	-	11,858	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	2,760,917	-	-	-	-	-	-	-
Total receipts	2,762,652	-	113	11,858	-	1,000	8,000	2,000
Disbursements:								
Instruction	-	-	-	14,709	-	2,069	-	-
Support services	15,123	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	896	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	2,599,529	-	-	-	-	-	-	2,500
Total disbursements	2,614,652	-	-	14,709	-	2,069	896	2,500
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	148,000	-	113	(2,851)	-	(1,069)	7,104	(500)
Cash and investments - ending	\$ 1,782,067	\$ 23,484	\$ 264	\$ 3,735	\$ -	\$ 2,018	\$ 7,104	\$ 1,500

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

	Ruth Bare Scholarship	Audra Hays Scholarship	Allred Memorial Scholarship	Hintz Memorial Scholarship	Mills Diversity Scholarship	FFA Scholarships	Coca Cola Bottling Scholarship	Northern IND Community Foundation
Cash and investments - beginning	\$ 548	\$ 4,121	\$ 250	\$ -	\$ 6,000	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	3,600	750	-	-	1,250	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	2,300
Total receipts	-	3,600	750	-	-	1,250	-	2,300
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	2,300
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	548	2,000	1,000	-	6,000	-	-	-
Total disbursements	548	2,000	1,000	-	6,000	-	-	2,300
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(548)	1,600	(250)	-	(6,000)	1,250	-	-
Cash and investments - ending	\$ -	\$ 5,721	\$ -	\$ -	\$ -	\$ 1,250	\$ -	\$ -

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

	Dukes Health Care Foundation	Miami Cass REMC Stem Grant	NIPSCO Grant	Grant Writer Donation	Answers for Autism Grant	Generation on MS Mini Grant	PLTW Grant	School Hygiene Program
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	55,000	-	-	-	-
Intermediate sources	-	-	-	-	-	-	20,000	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	55,000	-	-	20,000	-
Disbursements:								
Instruction	-	-	-	-	-	-	3,200	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	3,200	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	55,000	-	-	16,800	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 55,000	\$ -	\$ -	\$ 16,800	\$ -

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

	High Ability	Secured Schools Safety Grant	School Technology	PSTEM Subcontract	Dukes Healthcare Foundation	E-Learning Grant David C Ford	Library Endowment	Title I 12/13
Cash and investments - beginning	\$ 6,905	\$ -	\$ -	\$ -	\$ -	\$ (3,925)	\$ 74,683	\$ (40,561)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	37,380	-	4,140	-	-	57,600	-	-
Federal sources	-	-	-	-	-	-	-	130,358
Other receipts	-	-	-	-	3,920	-	-	-
Total receipts	37,380	-	4,140	-	3,920	57,600	-	130,358
Disbursements:								
Instruction	43,575	-	-	-	-	-	4,920	73,070
Support services	-	-	3,003	-	3,920	59,025	-	16,727
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	43,575	-	3,003	-	3,920	59,025	4,920	89,797
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(6,195)	-	1,137	-	-	(1,425)	(4,920)	40,561
Cash and investments - ending	\$ 710	\$ -	\$ 1,137	\$ -	\$ -	\$ (5,350)	\$ 69,763	\$ -

MACONAQUAH SCHOOL CORPORATION  
 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 I 13/14	Title I 14/15	(IDEA, Part B) Special Education Improvement	Title II, Part A Improving Teacher Quality	Rural Schools and Low Income Program - Pass Through State	Clearing - Cafeteria Prepaid	Clearing - Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (50,995)	\$ (4,163)	\$ -	\$ 25,961	\$ 51,763	\$ 7,848,317
Receipts:								
Local sources	-	-	-	-	-	-	-	4,764,978
Intermediate sources	-	-	-	-	-	-	-	20,558
State sources	-	-	-	-	-	-	-	15,451,956
Federal sources	309,439	-	69,561	77,005	44,687	-	-	1,273,072
Other receipts	-	-	-	-	-	32,675	3,493,027	6,332,101
Total receipts	309,439	-	69,561	77,005	44,687	32,675	3,493,027	27,842,665
Disbursements:								
Instruction	281,054	-	18,566	72,842	-	-	-	9,008,909
Support services	59,843	-	-	-	44,687	-	-	8,331,720
Noninstructional services	3,044	-	-	-	-	-	-	1,250,443
Facilities acquisition and construction	-	-	-	-	-	-	-	1,149,260
Debt services	-	-	-	-	-	-	-	1,521,616
Nonprogrammed charges	-	-	-	-	-	30,269	3,493,748	6,135,594
Total disbursements	343,941	-	18,566	72,842	44,687	30,269	3,493,748	27,397,542
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(34,502)	-	50,995	4,163	-	2,406	(721)	445,123
Cash and investments - ending	\$ (34,502)	\$ -	\$ -	\$ -	\$ -	\$ 28,367	\$ 51,042	\$ 8,293,440

MACONAQUAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015

	15	Debt Service	Capital Projects	Transportation Operating	Transportation School Bus Replacement	Rainy Day	Construction/ GO Bond 2011	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 3,890,632	\$ 865,320	\$ 77,949	\$ 77,601	\$ 722,792	\$ 553,049	\$ 58,904	\$ 226,297	\$ (189,214)
Receipts:									
Local sources	84,781	1,382,552	1,504,262	872,756	451,123	-	18	415,610	101,039
Intermediate sources	222	-	-	-	-	-	-	-	-
State sources	15,236,909	-	-	-	-	-	-	6,155	97,031
Federal sources	18,522	-	-	-	-	-	-	713,735	-
Other receipts	12,400	-	-	24,092	-	-	-	5,599	2,202
Total receipts	15,352,834	1,382,552	1,504,262	896,848	451,123	-	18	1,141,099	200,272
Disbursements:									
Instruction	8,697,695	-	-	-	-	-	-	-	-
Support services	6,129,194	-	871,411	844,763	358,320	-	-	2,029	41,579
Noninstructional services	274,529	-	-	-	-	-	-	1,079,939	-
Facilities acquisition and construction	49,898	-	430,279	-	-	-	58,922	114,295	-
Debt services	-	1,240,400	92,367	-	-	-	-	-	92,366
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	15,151,316	1,240,400	1,394,057	844,763	358,320	-	58,922	1,196,263	133,945
Excess (deficiency) of receipts over disbursements	201,518	142,152	110,205	52,085	92,803	-	(58,904)	(55,164)	66,327
Other financing sources (uses):									
Transfers in	86,926	-	-	-	-	-	-	-	209,813
Transfers out	(162,326)	(47,487)	-	-	-	-	-	-	(86,926)
Total other financing sources (uses)	(75,400)	(47,487)	-	-	-	-	-	-	122,887
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	126,118	94,665	110,205	52,085	92,803	-	(58,904)	(55,164)	189,214
Cash and investments - ending	\$ 4,016,750	\$ 959,985	\$ 188,154	\$ 129,686	\$ 815,595	\$ 553,049	\$ -	\$ 171,133	\$ -

MACONAQUAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	SAFE School Haven	Knights of Columbus Donation	50 YR Celebration Fundraiser	Scholarships Miscellaneous
Cash and investments - beginning	\$ 1,782,067	\$ 23,484	\$ 264	\$ 3,735	\$ -	\$ 2,018	\$ 7,104	\$ 1,500
Receipts:								
Local sources	1,573	-	-	-	-	1,323	2,000	800
Intermediate sources	-	-	131	-	-	-	-	-
State sources	-	266	-	10,117	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	2,704,217	-	-	-	-	-	-	-
Total receipts	2,705,790	266	131	10,117	-	1,323	2,000	800
Disbursements:								
Instruction	-	-	-	7,858	-	1,604	-	-
Support services	36,372	-	-	-	12,500	-	-	-
Noninstructional services	-	-	-	-	-	-	8,098	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	2,681,440	-	-	-	-	-	-	500
Total disbursements	2,717,812	-	-	7,858	12,500	1,604	8,098	500
Excess (deficiency) of receipts over disbursements	(12,022)	266	131	2,259	(12,500)	(281)	(6,098)	300
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	(12,022)	266	131	2,259	(12,500)	(281)	(6,098)	300
Cash and investments - ending	\$ 1,770,045	\$ 23,750	\$ 395	\$ 5,994	\$ (12,500)	\$ 1,737	\$ 1,006	\$ 1,800

MACONAQUAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Ruth Bare Scholarship	Audra Hays Scholarship	Allred Memorial Scholarship	Hintz Memorial Scholarship	Mills Diversity Scholarship	FFA Scholarships	Coca Cola Bottling Scholarship	Northern IND Community Foundation
Cash and investments - beginning	\$ -	\$ 5,721	\$ -	\$ -	\$ -	\$ 1,250	\$ -	\$ -
Receipts:								
Local sources	-	2,500	-	1,920	-	1,250	1,000	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	2,500	-	1,920	-	1,250	1,000	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	1,000	-	-	-	1,000	-	-
Total disbursements	-	1,000	-	-	-	1,000	-	-
Excess (deficiency) of receipts over disbursements	-	1,500	-	1,920	-	250	1,000	-
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	-	1,500	-	1,920	-	250	1,000	-
Cash and investments - ending	\$ -	\$ 7,221	\$ -	\$ 1,920	\$ -	\$ 1,500	\$ 1,000	\$ -

MACONAQUAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Dukes Health Care Foundation	Miami Cass REMC Stem Grant	NIPSCO Grant	Grant Writer Donation	Answers for Autism Grant	Generation on MS Mini Grant	PLTW Grant	School Hygiene Program
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 55,000	\$ -	\$ -	\$ 16,800	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	2,500	1,200	-	3,000	500	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	1,500	-	-	-	-	-	-	1,000
Total receipts	1,500	2,500	1,200	-	3,000	500	-	1,000
Disbursements:								
Instruction	-	2,500	-	-	2,862	500	15,429	1,000
Support services	1,500	-	-	55,000	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	1,500	2,500	-	55,000	2,862	500	15,429	1,000
Excess (deficiency) of receipts over disbursements	-	-	1,200	(55,000)	138	-	(15,429)	-
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	-	-	1,200	(55,000)	138	-	(15,429)	-
Cash and investments - ending	\$ -	\$ -	\$ 1,200	\$ -	\$ 138	\$ -	\$ 1,371	\$ -

MACONAQUAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	High Ability	Secured Schools Safety Grant	School Technology	PSTEM Subcontract	Dukes Healthcare Foundation	E-Learning Grant David C Ford	Library Endowment	Title I 12/13
Cash and investments - beginning	\$ 710	\$ -	\$ 1,137	\$ -	\$ -	\$ (5,350)	\$ 69,763	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	6,701	-	-	-	-
State sources	34,735	-	4,191	-	-	32,172	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	34,735	-	4,191	6,701	-	32,172	-	-
Disbursements:								
Instruction	35,024	-	-	6,701	-	-	3,560	-
Support services	-	25,000	4,139	-	-	26,822	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	35,024	25,000	4,139	6,701	-	26,822	3,560	-
Excess (deficiency) of receipts over disbursements	(289)	(25,000)	52	-	-	5,350	(3,560)	-
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	(289)	(25,000)	52	-	-	5,350	(3,560)	-
Cash and investments - ending	\$ 421	\$ (25,000)	\$ 1,189	\$ -	\$ -	\$ -	\$ 66,203	\$ -

MACONAQUAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Title I 13/14	Title I 14/15	(IDEA, Part B) Special Education Improvement	Title II, Part A Improving Teacher Quality	Rural Schools and Low Income Program - Pass Through State	Clearing - Cafeteria Prepaid	Clearing - Payroll Withholdings	Totals
Cash and investments - beginning	\$ (34,502)	\$ -	\$ -	\$ -	\$ -	\$ 28,367	\$ 51,042	\$ 8,293,440
Receipts:								
Local sources	-	-	-	-	-	-	-	4,824,507
Intermediate sources	-	-	-	-	-	-	-	14,254
State sources	-	-	-	-	-	-	-	15,421,576
Federal sources	142,107	331,459	-	61,732	21,088	-	-	1,288,643
Other receipts	-	-	-	-	-	30,895	3,507,643	6,289,548
<b>Total receipts</b>	<b>142,107</b>	<b>331,459</b>	<b>-</b>	<b>61,732</b>	<b>21,088</b>	<b>30,895</b>	<b>3,507,643</b>	<b>27,838,528</b>
Disbursements:								
Instruction	85,727	303,814	-	61,732	-	-	-	9,226,006
Support services	21,878	62,204	-	-	31,601	-	-	8,524,312
Noninstructional services	-	2,114	-	-	-	-	-	1,364,680
Facilities acquisition and construction	-	-	-	-	-	-	-	653,394
Debt services	-	-	-	-	-	-	-	1,425,133
Nonprogrammed charges	-	-	-	-	-	27,950	3,507,434	6,219,324
<b>Total disbursements</b>	<b>107,605</b>	<b>368,132</b>	<b>-</b>	<b>61,732</b>	<b>31,601</b>	<b>27,950</b>	<b>3,507,434</b>	<b>27,412,849</b>
Excess (deficiency) of receipts over disbursements	34,502	(36,673)	-	-	(10,513)	2,945	209	425,679
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	296,739
Transfers out	-	-	-	-	-	-	-	(296,739)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	34,502	(36,673)	-	-	(10,513)	2,945	209	425,679
Cash and investments - ending	\$ -	\$ (36,673)	\$ -	\$ -	\$ (10,513)	\$ 31,312	\$ 51,251	\$ 8,719,119

MACONAQUAH SCHOOL CORPORATION  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Maconaquah School Building Corporation	2007 Pipe Creek Elementary Renovations	\$ 245,400	7/15/2007	1/15/2018
Maconaquah School Building Corporation	2010 High School and Middle School Electrical Renovations	714,000	7/1/2010	7/1/2018
Crossroads Bank	2012 Computers	184,733	7/1/2012	1/15/2016
Maconaquah School Building Corporation	2012 HVAC Mechanical Improvements	<u>205,000</u>	6/30/2012	12/31/2026
Total of annual lease payments		<u>\$ 1,349,133</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2011 Elementary Wireless - Wireless capability	<u>\$ 75,000</u>	<u>\$ 76,500</u>

MACONAQUAH SCHOOL CORPORATION  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2015

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 194,300
Buildings	24,953,531
Improvements other than buildings	1,001,335
Machinery, equipment, and vehicles	<u>5,810,868</u>
Total capital assets	<u>\$ 31,960,034</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

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

We have audited the Maconaquah School Corporation'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, 2013 to June 30, 2015. 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, 2013 to June 30, 2015.

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

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-005. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**


Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 2015-002, 2015-003, 2015-004, and 2015-005 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

July 19, 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.

MACONAQUAH SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2014 and 2015

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	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>							
Child Nutrition Cluster School Breakfast Program	Indiana Department of Education	10.553	FY 2013-2014 FY 2014-2015	\$ - -	\$ 118,192 -	\$ - -	\$ - 129,644
Total - School Breakfast Program				-	118,192	-	129,644
National School Lunch Program	Indiana Department of Education	10.555	FY 2013-2014 FY 2014-2015	- -	570,790 -	- -	- 648,600
Total - National School Lunch Program				-	570,790	-	648,600
Total - Child Nutrition Cluster				-	688,982	-	778,244
Total - Department of Agriculture				-	688,982	-	778,244
<u>Department of Education</u>							
Special Education Cluster (IDEA) Special Education_Grants to States	Indiana Department of Education	84.027	14213-035-PN01 14214-035-PN01 14215-035-PN01 99914-035-TA01 A58-3-13DL-1509	- - - - -	317,814 150,111 - 3,208 69,561	- - - - -	2,315 301,210 135,352 - -
Total - Special Education_Grants to States				-	540,694	-	438,877
Special Education_Preschool Grants	Indiana Department of Education	84.173	45712-035-PN01 45713-035-PN01 45714-035-PN01 45715-035-PN01	- - - -	4,139 3,585 8,180 -	- - - -	- 1,729 11,895 10,403
Total - Special Education_Preschool Grants				-	15,904	-	24,027
Total - Special Education Cluster (IDEA)				-	556,598	-	462,904

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

MACONAQUAH SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2014 and 2015  
(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	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<u>Department of Education (continued)</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			13-5615	-	130,358	-	-
			14-5615	-	309,439	-	142,107
			15-5615	-	-	-	331,459
				-	-	-	-
Total - Title I Grants to Local Educational Agencies				-	439,797	-	473,566
Impact Aid	Direct Grant	84.041	S041A-2014-1620	-	18,522	-	-
			S041A-2015-1620	-	-	-	18,522
				-	-	-	-
Total - Impact Aid				-	18,522	-	18,522
Rural Education	Indiana Department of Education	84.358					
			FY 12	-	44,687	-	-
			FY 14	-	-	-	21,088
				-	-	-	-
Total - Rural Education				-	44,687	-	21,088
Mathematics and Science Partnerships	Purdue University	84.366	FY 15	-	-	-	8,472
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
			FY 11	-	6,652	-	-
			FY 12	-	70,353	-	-
			FY 13	-	-	-	61,732
				-	-	-	-
Total - Improving Teacher Quality State Grants				-	77,005	-	61,732
Total - Department of Education				-	1,136,609	-	1,046,284
<u>Department of Health and Human Services</u>							
Head Start	Kokomo School Corporation	93.600					
			FY 2013-2014	-	3,159	-	-
			FY 2014-2015	-	-	-	6,532
				-	-	-	-
Total - Head Start				-	3,159	-	6,532
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	Indiana State Department of Health	93.938					
			FY 2013-2014	-	400	-	-
				-	-	-	-
Total - Department of Health and Human Services				-	3,559	-	6,532
Total federal awards expended				\$ -	\$ 1,829,150	\$ -	\$ 1,831,060

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

MACONAQUAH SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2014 and 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-133, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 3. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2014 and 2015. This noncash assistance is also included in the federal expenditures presented in the SEFA.

Program Title	Federal CFDA Number	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2015
National School Lunch Program	10.555	\$ 65,482	\$ 64,509

**Note 4. Special Education Cooperative**

The School Corporation is a member of a Special Education Cooperative (Cooperative). As a result, some activity for the Special Education Cluster that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

MACONAQUAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
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
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Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes
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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 2015-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Condition*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation Treasurer compiled the SEFA with no oversight or approval.

MACONAQUAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

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)

*Cause*

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

*Effect*

Without a proper system of internal control in place that operates effectively, misstatements of the SEFA could have remained undetected.

*Views of Responsible Officials*

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

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

**FINDING 2015-002 - CASH MANAGEMENT, PROCUREMENT AND SUSPENSION AND DEBARMENT, PROGRAM INCOME, AND REPORTING**

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013-2014, FY 2014-2015

Pass-Through Entity: Indiana Department of Education

*Condition*

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, such as an oversight, review, or approval process, related to the following compliance requirements that have a direct and material effect on the programs: Cash Management, Procurement and Suspension and Debarment, Program Income, and Reporting.

*Cash Management*

The School Corporation had not established a control to ensure that the food service balance was less than or equal to the average expenditures for three months.

MACONAQUAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Procurement and Suspension and Debarment*

The School Corporation had not established a control over Procurement and Suspension and Debarment. Bids were not taken for food items purchased by the School Corporation. Bids taken by the Wabash Valley Cooperative were considered when determining vendors; however, those bids or vendors were not formally approved by the School Corporation. There were no controls to ensure that the contracts awarded were not to a suspended or debarred party.

*Program Income*

The School Board approved meal prices; however, there was no control in place to ensure that the prices approved were being correctly charged by the individual schools.

*Reporting*

The Food Service Director prepared and submitted the Sponsor Claim (claims for reimbursement) report and a School Corporation Secretary prepared and submitted the School Food Authority (SFA) Verification Collection Report; however, there was no control in place to determine whether the reports were accurate.

*Context*

The School Corporation did not have a proper system of Internal Controls over Cash Management, Procurement and Suspension and Debarment, Program Income, and Reporting compliance requirements related to the School Breakfast Program and the National School Lunch Program throughout the audit period.

*Criteria*

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. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system could have placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

MACONAQUAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2015-003 - CASH MANAGEMENT AND REPORTING**

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-5615, 14-5615, 15-5615

Pass-Through Entity: Indiana Department of Education

*Condition*

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, such as an oversight, review, or approval process, related to the following compliance requirements that have a direct and material effect on the program: Cash Management and Reporting.

*Cash Management*

The Treasurer prepared and submitted the Reimbursement Forms; however, there were no controls in place to determine that expenses were paid prior to requesting reimbursement.

*Reporting*

The Treasurer prepared and submitted the Reimbursement Forms and Final Expenditure Reports; however, there were no controls in place to determine whether the reports were accurate.

*Context*

The School Corporation did not have a proper system of Internal Controls over Cash Management and Reporting compliance requirements throughout the audit period.

*Criteria*

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. . . ."

MACONAQUAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system could have placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2015-004 - REPORTING**

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-035-PN01, 14214-035-PN01,  
14215-035-PN01, 45712-035-PN01,  
45713-035-PN01, 45714-035-PN01,  
45715-035-PN01

Pass-Through Entity: Indiana Department of Education

*Condition*

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, such as an oversight, review, or approval process, related to the following compliance requirement that has a direct and material effect on the programs: Reporting.

Report of Children and Youth with Disabilities receiving Special Education under part B of the Individuals with Disabilities Education Act and Monthly Reimbursement Report was prepared and submitted by the Special Education Director; however, there was no control in place to determine whether the reports were correct.

*Context*

The School Corporation did not have a proper system of internal controls over the Reporting compliance requirement throughout the audit period.

MACONAQUAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

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. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2015-005 - ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Education

Federal Program: Special Education\_Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-035-PN01, 14214-035-PN01,  
14215-035-PN01

Pass-Through Entity: Indiana Department of Education

*Condition*

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to its grant agreement and the Allowable Costs/Cost Principles compliance requirement. The School Corporation is a member of the Kokomo Area Special Education Cooperative (Cooperative), and the School Corporation provided oversight of the Cooperative through the School Corporation Superintendent who serves as a member of the Cooperative Board. However, the Cooperative had not established an effective internal control system in relation to Allowable Costs/Cost Principles.

MACONAQUAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Semiannual Certifications for fiscal year 2014 could not be located by the Cooperative and, therefore, were not presented for audit. For those employees that were paid from Special Education funds, the Cooperative should have included their names on Semiannual Certification Reports, and retained the reports.

*Context*

The School Corporation did not have a proper system of internal controls over Allowable Costs/Cost Principles compliance requirement related to Special Education\_Grants to States throughout the audit period.

*Criteria*

OMB Circular A-87, Attachment B, paragraph 8(h)(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee."

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. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

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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.

# MACONAQUAH SCHOOL CORPORATION

Dr. Douglas M. Arnold  
Superintendent  
Ext. 1000

June 23, 2016

Dr. James M. Callane  
Assistant Superintendent  
Ext. 1050

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2013-001**

Fiscal year in which the finding initially occurred: 07/01/11 to 06/30/13

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Tina M. Bonifant, Treasurer

Contact Phone Number: 765-689-9131

#### Status of Audit Finding:

The procedures and expectations that were put in place to ensure the review and approval of the free/reduced applications have been performed by the appropriate personnel. The building level bookkeepers and principals both calculate and review the applications before sending them to the corporation level for final processing.

The procedures and expectations that were put in place to ensure the review and approval of the lunch annual financial report have been performed by the appropriate personnel. After the treasurer prepares the lunch AFR, compiled from monthly reviewed receipts and expenditures, the cafeteria director then reviews and approves the lunch AFR by signature.

Tina Bonifant  
Treasurer/Business Manager



*Tina Bonifant 6/23/16*

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**IN PURSUIT OF EXCELLENCE**

7932 South Strawtown Pike, Bunker Hill, IN 46914-9667 Telephone (765) 689-9131 Fax (765) 689-0995

# MACONAQUAH SCHOOL CORPORATION

Dr. Douglas M. Arnold  
Superintendent  
Ext. 1000

July 19, 2016

Dr. James M. Callane  
Assistant Superintendent  
Ext. 1050

## Corrective Action Plan

Finding 2015-001

Contact Person: Tina M. Bonifant

Contact Phone: 765-689-9131 x 1160

Views of Responsible Official:

We understand the audit position and offer the statement below.

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the years July 1, 2013 – June 30, 2015, and we offer the following corrective action:

To properly follow the internal controls guidelines, the treasurer shall provide SEFA report and supporting documentation to either the superintendent or assistant superintendent to review to help ensure that all information reported is correct to the best of our knowledge. This proper oversight shall assist in minimizing undetected errors and be documented by signature of reviewer.

Anticipated completion date: Immediate

Sincerely,

  
Tina M. Bonifant

Corporation Treasurer

Business Manager

July 19, 2016

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# MACONAQUAH SCHOOL CORPORATION

Dr. Douglas M. Arnold  
Superintendent  
Ext. 1000

July 19, 2016

Dr. James M. Callane  
Assistant Superintendent  
Ext. 1050

## Corrective Action Plan

Finding 2015-002

Contact Persons: Tina M. Bonifant, Treasurer

Kim Lewis, Food Service Director

Contact Phone: 765-689-9131 x 1160

765-689-9131 x 1900

Views of Responsible Official:

We understand the audit position and offer the statement below.

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the years July 1, 2013 – June 30, 2015, and we offer the following corrective action:

To properly follow the cash management guidelines, the treasurer shall maintain and provide proof of the calculations showing that the food service balance is less than or equal to 3 months of average operating expenses.

The food service director and/or the superintendent shall formally approve the bids for food items. The food service director shall also print out and verify by signature that contracts are not being awarded to suspended or debarred parties.

The food service director will also approve, by signature, that each individual school is charging the correct lunch prices approved by the School Board.

The food service director shall develop a procedure that will help ensure that the lunch reimbursements submitted are reviewed for accuracy. The School Food Authority Verification Collection Report (SFA) shall also be reviewed by the superintendent to ensure accuracy. Both reports will be signed by the reviewer.

Sincerely,



Tina M. Bonifant

Corporation Treasurer

July 19, 2016

Anticipated completion date: Immediate.

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# MACONAQUAH SCHOOL CORPORATION

Dr. Douglas M. Arnold  
Superintendent  
Ext. 1000

July 19, 2016

Dr. James M. Callane  
Assistant Superintendent  
Ext. 1050

## Corrective Action Plan

Finding 2015-003

Title I CFDA 84.010

Contact Person: Tina M. Bonifant

Contact Phone: 765-689-9131 x 1160

Views of Responsible Official:

The Title I Director and Treasurer work closely together to ensure the grant figures are correct on an ongoing basis. We will be happy to confirm this practice by signature approval in the future.

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the years July 1, 2013 – June 30, 2015, and we offer the following corrective action:

To properly follow the internal controls guidelines, the treasurer shall provide the Title I monthly expenditure and cash reimbursement report and supporting documentation to the Title I Director to review to help assure that all information reported is correct to the best of our knowledge. The Title I Director will acknowledge this review by signing the monthly submission report. This proper oversight shall assist in minimizing undetected errors.

Anticipated completion date: Immediate

Sincerely,

  
Tina M. Bonifant

Corporation Treasurer

Business Manager

July 19, 2016

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# MACONAQUAH SCHOOL CORPORATION

Dr. Douglas M. Arnold  
Superintendent  
Ext. 1000

Dr. James M. Callane  
Assistant Superintendent  
Ext. 1050

July 19, 2016

## Corrective Action Plan

Finding 2015-004

Contact Person: Susan Evans, Director of Special Education

Contact Phone: 765-689-9131

Views of Responsible Official:

We understand the audit position and offer the statement below.

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the years July 1, 2013 – June 30, 2015, and we offer the following corrective action:

To properly follow the internal controls guidelines, the Special Education Director shall provide supporting documentation with the Count of Children with Disabilities Receiving Special Education Services report to a second person to help ensure the information contained in the report is accurate to the best of their knowledge. This proper oversight shall assist in minimizing undetected errors and be documented by signature of reviewer.

Anticipated completion date: Immediate

Sincerely,



Tina M. Bonifant

Corporation Treasurer

Business Manager

July 19, 2016

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**IN PURSUIT OF EXCELLENCE**

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# MACONAQUAH SCHOOL CORPORATION

Dr. Douglas M. Arnold  
Superintendent  
Ext. 1000

Dr. James M. Callane  
Assistant Superintendent  
Ext. 1050

July 19, 2016

## Corrective Action Plan

Finding 2015-005

Contact Persons: Suzie Reagle, KASEC

Susan Evans, Special Education Director

Contact Phone: 765-883-1487

765-689-9131 x 5612

Views of Responsible Official:

We understand the audit position and offer the statement below.

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the years July 1, 2013 – June 30, 2015, and we offer the following corrective action:

This finding is reflective of an audit of the 2013-14 school year. All Required time and effort documentation is currently maintained in accordance with federal requirements. Controls were in place for the 2014-15 school year and remain in place. This maintenance of documentation will be continued as required.

Anticipated completion date: Immediate

Sincerely,



Tina M. Bonifant

Corporation Treasurer

Business Manager

July 19, 2016

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**IN PURSUIT OF EXCELLENCE**

7932 South Strawtown Pike, Bunker Hill, IN 46914-9667 Telephone (765) 689-9131 Fax (765) 689-0995

#### OTHER REPORTS

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