

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF NORTH POSEY COUNTY
POSEY COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
09/21/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carol A. Lupfer	01-01-14 to 12-31-17
Superintendent of Schools	Dr. Todd Camp	07-01-14 to 06-30-18
President of the School Board	Steve Bender Geoffrey A. Gentil Gregory U. Schmitt	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF NORTH POSEY COUNTY, POSEY COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Metropolitan School District of North Posey County (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

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, 2014 to June 30, 2016, 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 and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 2, 2017, 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

August 2, 2017



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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF NORTH POSEY COUNTY, POSEY COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Metropolitan School District of North Posey County (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated August 2, 2017, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 from 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

August 2, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 2,211,993	\$ 8,977,735	\$ 9,216,914	\$ 1,637	\$ 1,974,451	\$ 9,153,042	\$ 9,289,933	\$ 12	\$ 1,837,572
Debt Service	587,581	1,011,555	989,500	-	609,636	1,051,677	1,189,831	11,881	483,363
Retirement/Severance Bond Debt Service	41,487	352,876	352,110	-	42,253	330,087	337,060	4,599	39,879
Capital Projects	352,428	1,853,053	1,294,442	(150,000)	761,039	1,769,298	1,635,688	(33,284)	861,365
School Transportation	453,771	991,266	782,279	(194,500)	468,258	1,025,504	733,570	(142,059)	618,133
School Bus Replacement	98,975	66,988	78,308	-	87,655	11,314	96,543	1,375	3,801
Rainy Day	1,215,829	-	182,840	350,000	1,382,989	-	528,787	200,000	1,054,202
Construction	-	-	1,047,532	4,920,000	3,872,468	-	4,770,090	1,000,000	102,378
School Lunch	229,373	586,457	559,715	-	256,115	624,993	559,227	-	321,881
Textbook Rental	17,834	123,800	99,834	-	41,800	133,188	163,223	-	11,765
Self-Insurance	273,997	1,491,015	1,571,875	-	193,137	1,469,496	1,585,795	-	76,838
Levy Excess	39,212	-	-	-	39,212	-	-	(39,212)	-
Educational License Plates	2,494	150	-	-	2,644	150	-	-	2,794
SAFE School Haven	-	10,000	20,000	-	(10,000)	30,000	20,000	-	-
Early Intervention Grant	-	11,800	3,279	-	8,521	-	8,521	-	-
Instructional Support	-	-	-	-	-	5,861	4,981	-	880
SINE Instruction Support	8	-	-	-	8	-	-	(8)	-
PCCF-IPAD Project North Elementary	4	-	-	-	4	-	-	(4)	-
PCCF-IPAD Project North Elementary 13/14	479	-	441	-	38	-	-	-	38
PCCF - Bullying Awareness	-	5,500	5,500	-	-	-	-	-	-
PCCF - Physics - Develop Models	-	4,328	4,328	-	-	-	-	-	-
Dorcas Neidig Preschool Scholarship	3,755	-	870	-	2,885	-	-	-	2,885
Delbert E Johnson Scholarship	162,499	-	-	-	162,499	-	4,031	-	158,468
Ropp Memorial Scholarship Fund	20,685	-	-	-	20,685	-	3,000	-	17,685
Amanda McKaig Martin Award	6,798	-	-	-	6,798	-	600	-	6,198
Heros Planning Grant	-	2,000	629	-	1,371	466	1,200	-	637
Heros Planning Grant 15/16	-	-	-	-	-	17,750	12,881	-	4,869
Formative Assessment	-	-	-	-	-	4,173	-	(3,300)	873
High Ability 2014/2015	-	30,083	26,167	-	3,916	-	3,916	-	-
High Ability 2013/2014	4,000	-	4,000	-	-	30,784	30,784	-	-
Medicaid Reimbursement	2,787	28	-	-	2,815	28	460	-	2,383
Secured Schools Safety Grant	(20,000)	23,136	8,401	-	(5,265)	7,629	2,364	-	-
School Technology	14,712	37,093	37,308	-	14,497	25,654	33,632	-	6,519
Title I FY 14	(15,813)	40,987	25,174	-	-	-	-	-	-
Title I FY 15	-	82,903	97,268	-	(14,365)	52,235	37,870	-	-
Title I FY 16	-	-	-	-	-	94,645	109,859	-	(15,214)
P.L. 108-440 Grant	(37,743)	83,888	46,145	-	-	126,103	145,457	-	(19,354)
Special Education FY 15	-	146,969	163,136	-	(16,167)	47,942	31,775	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	6,471	7,040	-	(569)	1,327	758	-	-
Special Education Preschool FY 16	-	-	-	-	-	23,774	23,790	-	(16)
Special Education Preschool FY 15	-	22,970	24,475	-	(1,505)	1,535	30	-	-
Title IV Safe and Drug Free 08/09	7	-	7	-	-	-	-	-	-
STARS Program	596	-	-	-	596	-	299	-	297
Medicaid Reimbursement - Federal	-	-	-	-	-	8,246	-	-	8,246
Improving Teacher Quality FY 15	-	30,797	34,842	-	(4,045)	21,564	17,519	-	-
Improving Teacher Quality FY 16	-	-	-	-	-	23,133	27,194	-	(4,061)
Improving Teacher Quality NCLB	(3,444)	7,124	3,680	-	-	-	-	-	-
Agency Funds	13,161	3,293,735	3,273,677	-	33,219	3,206,106	3,211,696	-	27,629
Totals	\$ 5,677,465	\$ 19,294,707	\$ 19,961,716	\$ 4,927,137	\$ 9,937,593	\$ 19,297,704	\$ 24,622,364	\$ 1,000,000	\$ 5,612,933

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

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY 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, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation were not received by June 30, 2014 and 2015.

Note 8. Holding Corporations

The School Corporation has entered into capital leases with the North Posey School Building Corporation and the MSD of North Posey Multi-School Building Corporation (the lessors). The lessors were organized as a not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related-parties of the School Corporation. Lease payments during the fiscal years 2015 and 2016 totaled \$989,500 and \$1,185,500, respectively.

OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the 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 School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

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METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,211,993	\$ 587,581	\$ 41,487	\$ 352,428	\$ 453,771	\$ 98,975	\$ 1,215,829	\$ -	\$ 229,373	\$ 17,834
Receipts:										
Local sources	115,451	1,011,555	352,876	1,762,374	990,441	66,988	-	-	326,522	92,126
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	8,862,284	-	-	-	-	-	-	-	10,071	31,674
Federal sources	-	-	-	-	-	-	-	-	249,864	-
Other receipts	-	-	-	90,679	825	-	-	-	-	-
Total receipts	8,977,735	1,011,555	352,876	1,853,053	991,266	66,988	-	-	586,457	123,800
Disbursements:										
Instruction	6,064,745	-	-	-	-	-	108,825	-	-	-
Support services	2,958,816	-	-	723,639	782,279	78,308	74,015	-	10	99,834
Noninstructional services	193,353	-	-	-	-	-	-	-	559,705	-
Facilities acquisition and construction	-	-	-	570,803	-	-	-	1,047,532	-	-
Debt service	-	989,500	352,110	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	9,216,914	989,500	352,110	1,294,442	782,279	78,308	182,840	1,047,532	559,715	99,834
Excess (deficiency) of receipts over disbursements	(239,179)	22,055	766	558,611	208,987	(11,320)	(182,840)	(1,047,532)	26,742	23,966
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	1,000,000	-	-
Sale of capital assets	1,637	-	-	-	5,500	-	-	3,920,000	-	-
Transfers in	-	-	-	-	-	-	350,000	-	-	-
Transfers out	-	-	-	(150,000)	(200,000)	-	-	-	-	-
Total other financing sources (uses)	1,637	-	-	(150,000)	(194,500)	-	350,000	4,920,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(237,542)	22,055	766	408,611	14,487	(11,320)	167,160	3,872,468	26,742	23,966
Cash and investments - ending	\$ 1,974,451	\$ 609,636	\$ 42,253	\$ 761,039	\$ 468,258	\$ 87,655	\$ 1,382,989	\$ 3,872,468	\$ 256,115	\$ 41,800

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 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	SAFE School Haven	Early Intervention Grant	Instructional Support	SINE Instructional Support	PCCF- IPAD Project North Elementary	PCCF- IPAD Project North Elementary 13/14	PCCF - Bullying Awareness
Cash and investments - beginning	\$ 273,997	\$ 39,212	\$ 2,494	\$ -	\$ -	\$ -	\$ 8	\$ 4	\$ 479	\$ -
Receipts:										
Local sources	1,491,015	-	-	-	-	-	-	-	-	5,500
Intermediate sources	-	-	150	-	-	-	-	-	-	-
State sources	-	-	-	10,000	11,800	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	1,491,015	-	150	10,000	11,800	-	-	-	-	5,500
Disbursements:										
Instruction	-	-	-	-	-	-	-	-	441	-
Support services	71,262	-	-	20,000	3,279	-	-	-	-	5,500
Noninstructional services	19,845	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	1,480,768	-	-	-	-	-	-	-	-	-
Total disbursements	1,571,875	-	-	20,000	3,279	-	-	-	441	5,500
Excess (deficiency) of receipts over disbursements	(80,860)	-	150	(10,000)	8,521	-	-	-	(441)	-
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
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	(80,860)	-	150	(10,000)	8,521	-	-	-	(441)	-
Cash and investments - ending	\$ 193,137	\$ 39,212	\$ 2,644	\$ (10,000)	\$ 8,521	\$ -	\$ 8	\$ 4	\$ 38	\$ -

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

	PCCF - Physics - Develop Models	Dorcas Neidig Preschool Scholarship	Delbert E Johnson Scholarship	Ropp Memorial Scholarship Fund	Amanda McKaig Martin Award	Heros Planning Grant	Heros Planning Grant 15/16	Formative Assessment	High Ability 2014/2015	High Ability 2013/2014
Cash and investments - beginning	\$ -	\$ 3,755	\$ 162,499	\$ 20,685	\$ 6,798	\$ -	\$ -	\$ -	\$ -	\$ 4,000
Receipts:										
Local sources	4,328	-	-	-	-	2,000	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	30,083	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	4,328	-	-	-	-	2,000	-	-	30,083	-
Disbursements:										
Instruction	4,328	870	-	-	-	-	-	-	26,167	1,432
Support services	-	-	-	-	-	-	-	-	-	2,568
Noninstructional services	-	-	-	-	-	629	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	4,328	870	-	-	-	629	-	-	26,167	4,000
Excess (deficiency) of receipts over disbursements	-	(870)	-	-	-	1,371	-	-	3,916	(4,000)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
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	-	(870)	-	-	-	1,371	-	-	3,916	(4,000)
Cash and investments - ending	\$ -	\$ 2,885	\$ 162,499	\$ 20,685	\$ 6,798	\$ 1,371	\$ -	\$ -	\$ 3,916	\$ -

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

	Medicaid Reimbursement	Secured Schools Safety Grant	School Technology	Title I FY 14	Title I FY 15	Title I FY 16	P.L. 108-440 Grant	Special Education FY 15	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Special Education Preschool FY 16
Cash and investments - beginning	\$ 2,787	\$ (20,000)	\$ 14,712	\$ (15,813)	\$ -	\$ -	\$ (37,743)	\$ -	\$ -	\$ -
Receipts:										
Local sources	-	-	10,579	-	-	-	-	-	-	-
Intermediate sources	-	-	18,321	-	-	-	-	-	-	-
State sources	28	23,136	8,193	-	-	-	-	-	-	-
Federal sources	-	-	-	40,987	82,903	-	83,888	146,969	6,471	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	28	23,136	37,093	40,987	82,903	-	83,888	146,969	6,471	-
Disbursements:										
Instruction	-	-	-	23,821	97,268	-	46,145	163,136	7,040	-
Support services	-	8,401	37,308	1,353	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	8,401	37,308	25,174	97,268	-	46,145	163,136	7,040	-
Excess (deficiency) of receipts over disbursements	28	14,735	(215)	15,813	(14,365)	-	37,743	(16,167)	(569)	-
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
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	28	14,735	(215)	15,813	(14,365)	-	37,743	(16,167)	(569)	-
Cash and investments - ending	\$ 2,815	\$ (5,265)	\$ 14,497	\$ -	\$ (14,365)	\$ -	\$ -	\$ (16,167)	\$ (569)	\$ -

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

	Special Education Preschool FY 15	Title IV Safe and Drug Free 08/09	STARS Program	Medicaid Reimbursement - Federal	Improving Teacher Quality FY 15	Improving Teacher Quality FY 16	Improving Teacher Quality NCLB	Agency Funds	Totals
Cash and investments - beginning	\$ -	\$ 7	\$ 596	\$ -	\$ -	\$ -	\$ (3,444)	\$ 13,161	\$ 5,677,465
Receipts:									
Local sources	-	-	-	-	-	-	-	-	6,231,755
Intermediate sources	-	-	-	-	-	-	-	-	18,471
State sources	-	-	-	-	-	-	-	-	8,987,269
Federal sources	22,970	-	-	-	30,797	-	7,124	-	671,973
Other receipts	-	-	-	-	-	-	-	3,293,735	3,385,239
Total receipts	22,970	-	-	-	30,797	-	7,124	3,293,735	19,294,707
Disbursements:									
Instruction	-	-	-	-	34,042	-	3,680	-	6,581,940
Support services	24,475	7	-	-	-	-	-	-	4,891,054
Noninstructional services	-	-	-	-	800	-	-	-	774,332
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,618,335
Debt service	-	-	-	-	-	-	-	-	1,341,610
Nonprogrammed charges	-	-	-	-	-	-	-	3,273,677	4,754,445
Total disbursements	24,475	7	-	-	34,842	-	3,680	3,273,677	19,961,716
Excess (deficiency) of receipts over disbursements	(1,505)	(7)	-	-	(4,045)	-	3,444	20,058	(667,009)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	1,000,000
Sale of capital assets	-	-	-	-	-	-	-	-	3,927,137
Transfers in	-	-	-	-	-	-	-	-	350,000
Transfers out	-	-	-	-	-	-	-	-	(350,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	4,927,137
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,505)	(7)	-	-	(4,045)	-	3,444	20,058	4,260,128
Cash and investments - ending	\$ (1,505)	\$ -	\$ 596	\$ -	\$ (4,045)	\$ -	\$ -	\$ 33,219	\$ 9,937,593

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,974,451	\$ 609,636	\$ 42,253	\$ 761,039	\$ 468,258	\$ 87,655	\$ 1,382,989	\$ 3,872,468	\$ 256,115	\$ 41,800
Receipts:										
Local sources	161,728	1,051,677	330,087	1,755,073	1,013,938	11,314	-	-	349,778	96,575
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	8,991,314	-	-	-	-	-	-	-	10,394	36,613
Federal sources	-	-	-	-	-	-	-	-	264,819	-
Other receipts	-	-	-	14,225	11,566	-	-	-	2	-
Total receipts	<u>9,153,042</u>	<u>1,051,677</u>	<u>330,087</u>	<u>1,769,298</u>	<u>1,025,504</u>	<u>11,314</u>	<u>-</u>	<u>-</u>	<u>624,993</u>	<u>133,188</u>
Disbursements:										
Instruction	5,985,183	-	-	-	-	-	-	-	-	-
Support services	3,105,541	-	-	747,064	733,570	96,543	34,076	-	-	163,223
Noninstructional services	181,209	-	-	-	-	-	-	-	559,227	-
Facilities acquisition and construction	18,000	-	-	888,624	-	-	494,711	4,770,090	-	-
Debt service	-	1,189,831	337,060	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>9,289,933</u>	<u>1,189,831</u>	<u>337,060</u>	<u>1,635,688</u>	<u>733,570</u>	<u>96,543</u>	<u>528,787</u>	<u>4,770,090</u>	<u>559,227</u>	<u>163,223</u>
Excess (deficiency) of receipts over disbursements	<u>(136,891)</u>	<u>(138,154)</u>	<u>(6,973)</u>	<u>133,610</u>	<u>291,934</u>	<u>(85,229)</u>	<u>(528,787)</u>	<u>(4,770,090)</u>	<u>65,766</u>	<u>(30,035)</u>
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	1,000,000	-	-
Transfers in	1,000,012	11,881	4,599	16,716	7,941	1,375	200,000	-	-	-
Transfers out	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>12</u>	<u>11,881</u>	<u>4,599</u>	<u>(33,284)</u>	<u>(142,059)</u>	<u>1,375</u>	<u>200,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(136,879)</u>	<u>(126,273)</u>	<u>(2,374)</u>	<u>100,326</u>	<u>149,875</u>	<u>(83,854)</u>	<u>(328,787)</u>	<u>(3,770,090)</u>	<u>65,766</u>	<u>(30,035)</u>
Cash and investments - ending	<u>\$ 1,837,572</u>	<u>\$ 483,363</u>	<u>\$ 39,879</u>	<u>\$ 861,365</u>	<u>\$ 618,133</u>	<u>\$ 3,801</u>	<u>\$ 1,054,202</u>	<u>\$ 102,378</u>	<u>\$ 321,881</u>	<u>\$ 11,765</u>

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2016
 (Continued)

	Self- Insurance	Levy Excess	Educational License Plates	SAFE School Haven	Early Intervention Grant	Instructional Support	SINE Instructional Support	PCCF- IPAD Project North Elementary	PCCF- IPAD Project North Elementary 13/14	PCCF - Bullying Awareness
Cash and investments - beginning	\$ 193,137	\$ 39,212	\$ 2,644	\$ (10,000)	\$ 8,521	\$ -	\$ 8	\$ 4	\$ 38	\$ -
Receipts:										
Local sources	1,469,496	-	-	-	-	5,861	-	-	-	-
Intermediate sources	-	-	150	-	-	-	-	-	-	-
State sources	-	-	-	30,000	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	1,469,496	-	150	30,000	-	5,861	-	-	-	-
Disbursements:										
Instruction	-	-	-	-	-	4,981	-	-	-	-
Support services	45,199	-	-	20,000	8,521	-	-	-	-	-
Noninstructional services	12,364	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	1,528,232	-	-	-	-	-	-	-	-	-
Total disbursements	1,585,795	-	-	20,000	8,521	4,981	-	-	-	-
Excess (deficiency) of receipts over disbursements	(116,299)	-	150	10,000	(8,521)	880	-	-	-	-
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	(39,212)	-	-	-	-	(8)	(4)	-	-
Total other financing sources (uses)	-	(39,212)	-	-	-	-	(8)	(4)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(116,299)	(39,212)	150	10,000	(8,521)	880	(8)	(4)	-	-
Cash and investments - ending	\$ 76,838	\$ -	\$ 2,794	\$ -	\$ -	\$ 880	\$ -	\$ -	\$ 38	\$ -

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2016
 (Continued)

	PCCF - Physics - Develop Models	Dorcas Neidig Preschool Scholarship	Delbert E Johnson Scholarship	Ropp Memorial Scholarship Fund	Amanda McKaig Martin Award	Heros Planning Grant	Heros Planning Grant 15/16	Formative Assessment	High Ability 2014/2015	High Ability 2013/2014
Cash and investments - beginning	\$ -	\$ 2,885	\$ 162,499	\$ 20,685	\$ 6,798	\$ 1,371	\$ -	\$ -	\$ 3,916	\$ -
Receipts:										
Local sources	-	-	-	-	-	466	17,750	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	4,173	-	30,784
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	466	17,750	4,173	-	30,784
Disbursements:										
Instruction	-	-	-	-	-	-	5,289	-	3,873	30,784
Support services	-	-	-	-	-	-	2,902	-	43	-
Noninstructional services	-	-	-	-	-	1,200	4,690	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	4,031	3,000	600	-	-	-	-	-
Total disbursements	-	-	4,031	3,000	600	1,200	12,881	-	3,916	30,784
Excess (deficiency) of receipts over disbursements	-	-	(4,031)	(3,000)	(600)	(734)	4,869	4,173	(3,916)	-
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(3,300)	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(3,300)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(4,031)	(3,000)	(600)	(734)	4,869	873	(3,916)	-
Cash and investments - ending	\$ -	\$ 2,885	\$ 158,468	\$ 17,685	\$ 6,198	\$ 637	\$ 4,869	\$ 873	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2016
 (Continued)

	Medicaid Reimbursement	Secured Schools Safety Grant	School Technology	Title I FY 14	Title I FY 15	Title I FY 16	P.L. 108-440 Grant	Special Education FY 15	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Special Education Preschool FY 16
Cash and investments - beginning	\$ 2,815	\$ (5,265)	\$ 14,497	\$ -	\$ (14,365)	\$ -	\$ -	\$ (16,167)	\$ (569)	\$ -
Receipts:										
Local sources	-	-	10,685	-	-	-	-	-	-	-
Intermediate sources	-	-	6,245	-	-	-	-	-	-	-
State sources	28	7,629	8,724	-	-	-	-	-	-	-
Federal sources	-	-	-	-	52,235	94,645	126,103	47,942	1,327	23,774
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>28</u>	<u>7,629</u>	<u>25,654</u>	<u>-</u>	<u>52,235</u>	<u>94,645</u>	<u>126,103</u>	<u>47,942</u>	<u>1,327</u>	<u>23,774</u>
Disbursements:										
Instruction	-	-	-	-	36,177	105,578	145,457	31,775	758	-
Support services	460	2,364	33,632	-	-	4,281	-	-	-	23,790
Noninstructional services	-	-	-	-	1,693	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>460</u>	<u>2,364</u>	<u>33,632</u>	<u>-</u>	<u>37,870</u>	<u>109,859</u>	<u>145,457</u>	<u>31,775</u>	<u>758</u>	<u>23,790</u>
Excess (deficiency) of receipts over disbursements	<u>(432)</u>	<u>5,265</u>	<u>(7,978)</u>	<u>-</u>	<u>14,365</u>	<u>(15,214)</u>	<u>(19,354)</u>	<u>16,167</u>	<u>569</u>	<u>(16)</u>
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(432)</u>	<u>5,265</u>	<u>(7,978)</u>	<u>-</u>	<u>14,365</u>	<u>(15,214)</u>	<u>(19,354)</u>	<u>16,167</u>	<u>569</u>	<u>(16)</u>
Cash and investments - ending	<u>\$ 2,383</u>	<u>\$ -</u>	<u>\$ 6,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,214)</u>	<u>\$ (19,354)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16)</u>

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2016
 (Continued)

	Special Education Preschool FY 15	Title IV Safe and Drug Free 08/09	STARS Program	Medicaid Reimbursement - Federal	Improving Teacher Quality FY 15	Improving Teacher Quality FY 16	Improving Teacher Quality NCLB	Agency Funds	Totals
Cash and investments - beginning	\$ (1,505)	\$ -	\$ 596	\$ -	\$ (4,045)	\$ -	\$ -	\$ 33,219	\$ 9,937,593
Receipts:									
Local sources	-	-	-	-	-	-	-	-	6,274,428
Intermediate sources	-	-	-	-	-	-	-	-	6,395
State sources	-	-	-	-	-	-	-	-	9,119,659
Federal sources	1,535	-	-	8,246	21,564	23,133	-	-	665,323
Other receipts	-	-	-	-	-	-	-	3,206,106	3,231,899
Total receipts	1,535	-	-	8,246	21,564	23,133	-	3,206,106	19,297,704
Disbursements:									
Instruction	-	-	299	-	17,519	26,394	-	-	6,394,067
Support services	30	-	-	-	-	-	-	-	5,021,239
Noninstructional services	-	-	-	-	-	800	-	-	761,183
Facilities acquisition and construction	-	-	-	-	-	-	-	-	6,171,425
Debt service	-	-	-	-	-	-	-	-	1,526,891
Nonprogrammed charges	-	-	-	-	-	-	-	3,211,696	4,747,559
Total disbursements	30	-	299	-	17,519	27,194	-	3,211,696	24,622,364
Excess (deficiency) of receipts over disbursements	1,505	-	(299)	8,246	4,045	(4,061)	-	(5,590)	(5,324,660)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	1,000,000
Transfers in	-	-	-	-	-	-	-	-	1,242,524
Transfers out	-	-	-	-	-	-	-	-	(1,242,524)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	1,000,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,505	-	(299)	8,246	4,045	(4,061)	-	(5,590)	(4,324,660)
Cash and investments - ending	\$ -	\$ -	\$ 297	\$ 8,246	\$ -	\$ (4,061)	\$ -	\$ 27,629	\$ 5,612,933

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
SCHEDULE OF LEASES AND DEBT
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
MSD of North Posey Multi-School Building Corporation	Refunding of NPHS 2002 Bldg Remodel Project (2010)	\$ 497,500	12/31/2010	12/31/2024
MSD of North Posey Multi-School Building Corporation	\$6 000 000 Ad Valorem Property Tax First Mortgage Bonds Series 2015	316,500	5/28/2015	12/31/2033
North Posey School Building Corporation	Refunding of NPJHS 1996 Bldg Project (2003)	<u>248,500</u>	12/31/2003	12/31/2016
Total governmental activities		<u>1,062,500</u>		
Total of annual lease payments		<u>\$ 1,062,500</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Amended Pension Bonds of 2004	\$ 1,115,000	\$ 310,710
Notes and loans payable	Guaranteed Energy Savings Contract	932,181	154,330
Notes and loans payable	Guaranteed Energy Savings Contract	<u>938,563</u>	<u>154,330</u>
Total governmental activities		<u>2,985,744</u>	<u>619,370</u>
Totals		<u>\$ 2,985,744</u>	<u>\$ 619,370</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 METROPOLITAN SCHOOL DISTRICT
OF NORTH POSEY COUNTY, POSEY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan School District of North Posey 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, 2014 to June 30, 2016. 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, 2014 to June 30, 2016.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance


Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002 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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2015 and 2016

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 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
			FY 14/15	\$ -	\$ 36,719	\$ -	\$ -
			FY 15/16	-	-	-	41,621
				-	36,719	-	41,621
Total - School Breakfast Program				-	36,719	-	41,621
National School Lunch Program	Indiana Department of Education	10.555					
			FY 14/15	-	213,145	-	-
			FY 15/16	-	-	-	223,198
National School Lunch Program - Commodities	Indiana Department of Education	10.555					
			FY 14/15	-	44,425	-	-
			FY 15/16	-	-	-	43,430
				-	-	-	43,430
Total - National School Lunch Program				-	257,570	-	266,628
Total - Child Nutrition Cluster				-	294,289	-	308,249
Total - Department of Agriculture				-	294,289	-	308,249
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
FY2013 IDEA Part B 611			14213-085-PN01	-	31,276	-	-
FY2014 IDEA Part B 611			14214-085-PN01	-	170,675	-	11,767
FY2015 IDEA Part B 611			14215-085-PN01	-	173,349	-	161,110
FY2016 IDEA Part B 611			14216-078-PN01	-	-	-	148,349
FY 2014 Technical Assistance			99914-085-TA01	-	6,471	-	1,327
				-	6,471	-	1,327
Total - Special Education_Grants to States				-	381,771	-	322,553
Special Education_Preschool Grants	Indiana Department of Education	84.173					
FY2014 IDEA Part B 619-PreSchool			45714-085-PN01	-	200	-	-
FY2015 IDEA Part B 619-PreSchool			45715-085-PN01	-	19,686	-	4,819
FY2016 IDEA Part B 619-PreSchool			47516-078-PN01	-	-	-	23,741
				-	-	-	23,741
Total - Special Education_Preschool Grants				-	19,886	-	28,560
Total - Special Education Cluster (IDEA)				-	401,657	-	351,113

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

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2015 and 2016
 (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 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Education (continued)</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I - FY 2014			14-6600	-	40,988	-	-
Title I - FY 2015			15-6600	-	82,903	-	52,234
Title I - FY 2016			S010A150014	-	-	-	94,645
Total - Title I Grants to Local Educational Agencies				-	123,891	-	146,879
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
Title IIA-ITQ-NCLB FFY2013			13-6600	-	7,124	-	-
Title IIA-ITQ-NCLB FFY2014			14-6600	-	30,797	-	21,564
Title IIA-ITQ-NCLB FFY2015			S367A150015	-	-	-	23,133
Total - Improving Teacher Quality State Grants				-	37,921	-	44,697
Total - Department of Education				-	563,469	-	542,689
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program IndianaMAC	Indiana Department of Education	93.778	EDS #A58-1-11DL-045	-	-	-	8,246
Total - Medicaid Cluster				-	-	-	8,246
Block Grants for Prevention and Treatment of Substance Abuse STARS Program	Youth Service Bureau Incorporated	93.959	71309-01	-	-	-	299
Total - Department of Health and Human Services				-	-	-	8,545
Total federal awards expended				\$ -	\$ 857,758	\$ -	\$ 859,483

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

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
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, 2015 and 2016. 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-87, *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.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY 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 weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency 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.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-001

Subject: Child Nutrition Cluster - Cash Management
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 14/15, FY 15/16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The Program Director monitored the cash balances (Net Cash Resources) of the School Lunch fund; however, the cash balances (Net Cash Resources) exceeded the amount of the three months average expenditures throughout the audit period. The three months average expenditures for the fiscal year ending June 30, 2015, was \$167,915. The cash balance (Net Cash Resources) at June 30, 2015, was \$243,327, resulting in an excess cash balance (Net Cash Resources) of \$75,412. The three months average expenditures for the fiscal year ending June 30, 2016, was \$167,768. The cash balance (Net Cash Resources) at June 30, 2016, was \$309,465, resulting in an excess cash balance (Net Cash Resources) of \$141,697.

Context

This was a systemic issue. The cash balance (Net Cash Resources) of the School Lunch fund was greater than the three months average expenditures amount throughout the entire 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

7 CFR 210.14(b) states: "*Net cash resources.* The school fund authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

- (iv) Limit its net cash resource to an amount that does not exceed three months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the Cash Management requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to occur. Noncompliance with the grant agreement and 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 comply with the grant agreement and the Cash Management requirements.

Views of Responsible Officials

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

FINDING 2016-002

Subject: Child Nutrition Cluster - Reporting and Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14/15, FY 15/16

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

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

Condition

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

Reporting

An effective internal control system was not in place to ensure that the monthly Sponsor Claim (claims for reimbursement), Annual Financial Report, and School Food Authority (SFA) Verification Collection Reports were accurately prepared and submitted. There was no segregation of duties, such as an oversight, review or approval process, or other compensating control.

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

An effective internal control system was not in place to ensure that verification of free and reduced price applications was completed accurately. There was no segregation of duties, such as an oversight, review or approval process, or other compensating control.

Context

Internal control issues were systemic, occurring 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. . . ."

2 CFR section 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls, including segregation of duties that would have ensured that the School Corporation complied with the grant agreement and the compliance requirements listed above.

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

Effect

The failure to establish an effective internal control system 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.

Recommendation

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.

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 DOCUMENT

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

Board of Education

Gregory U. Schmitt
Geoffrey A. Gentil
Amy J. Will
Vincent F. Oakley
Brett A. Stock

Board Attorney

William H. Bender

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CORRECTIVE ACTION PLAN

Todd E. Camp

Superintendent

Angela J. Wannemuehler

Asst. Superintendent of Curriculum

Carol A. Lupfer

Financial Officer

Jayme L. Bender

Deputy Treasurer

Amy D. Motz

Human Resource Officer

FINDING 2016-001

Contact Person Responsible for Corrective Action: **Dr. Todd Camp, Superintendent**

Contact Phone Number: **812-874-2243**

Views of Responsible Official: We concur with the finding that the cash balance in the Hot Lunch program was greater than the expenditures and the allowable limits.

Description of Corrective Action Plan: The Corporation will systematically review the operational costs and improve the Hot Lunch Program and establish reasonable ways to spend down the cash that will improve the overall program.

1. Improve the quality of products and commodities in the plate lunch
2. Expand offerings
3. Expand hours for some staff
4. Improve the technology, equipment and furnishings
 - a. Computers
 - b. Alarm system for freezers
 - c. Air condition in kitchen areas
 - d. Storage equipment for supplies
 - e. Dishwasher and other cooking and serving equipment

Anticipated Completion Date: The Food Service Director and the Superintendent are responsible for correction. It will take two years to correct this finding to ensure all regulations and wasteful spending does not occur.

FINDING 2016-002

Contact Person Responsible for Corrective Action: **Dr. Todd Camp, Superintendent**

Contact Phone Number: **812-874-2243**

Views of Responsible Official: Weakness in the internal controls. We agree there is no documentation to show segregation of duties and there were no checks and balances to make sure compliance was met. We, however, did have a system in place, but the system did lack the documentation of proof.

The Director reviews and enters applications. The ECA treasurer reviews and enters application into our Harmony Software database to verify the accuracy of the applications. We have a school Principal verify more than the minimum applications to make sure applicants qualify.

Description of Corrective Action Plan: The Corporation will create a procedure for the review and verification of the documentation that will show that the verification process is being completed.

Anticipated Completion Date: This process will take place at the beginning of the 2017-2018 school year. The Food Service Director will create this process and the Superintendent will approve the process before it goes into effect.

Dr. Todd Camp

Signature

Superintendent

Title

7/27/17

Date

OTHER REPORTS

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