

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 WARREN COUNTY
WARREN COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
05/17/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-29
Schedule of Payables and Receivables	31
Schedule of Leases and Debt	32
Schedule of Capital Assets.....	33
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	36-38
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	41
Notes to Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs	43-62
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	64
Corrective Action Plan	65-74
Other Reports.....	75

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nanette Ware	07-01-14 to 06-30-18
Superintendent of Schools	Ralph Shrader	07-01-14 to 06-30-18
President of the School Board	Steve Magner Sharon Grady Dr. Gary Greenwood Dan Duchemin	07-01-14 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Metropolitan School District of Warren 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, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2018, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

May 15, 2018



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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 WARREN COUNTY, WARREN COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Metropolitan School District of Warren 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 May 15, 2018, 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 a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item Finding 2016-001 to be a material weakness.

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

Compliance and Other Matters

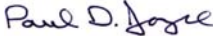
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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*.

Metropolitan School District of Warren County's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

May 15, 2018

(This page intentionally left blank.)

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.

(This page intentionally left blank.)

METROPOLITAN SCHOOL DISTRICT OF WARREN 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	\$ 1,503,129	\$ 7,350,933	\$ 7,241,420	\$ 100	\$ 1,612,742	\$ 7,373,026	\$ 7,465,237	\$ 168,415	\$ 1,688,946
Debt Service	474,764	1,107,075	943,081	28,904	667,662	1,190,334	919,355	(154,589)	784,052
Capital Projects	229,750	1,396,985	986,808	(48,880)	591,047	1,404,414	1,123,879	(182,321)	689,261
School Transportation	173,865	939,151	788,012	(92,423)	232,581	958,530	766,318	(262,821)	161,972
School Bus Replacement	-	294,120	202,208	-	91,912	300,578	241,420	(151,070)	-
Rainy Day	239,429	-	164,813	112,399	187,015	64,679	109,986	597,212	738,920
Construction	-	-	-	-	-	-	346,983	-	(346,983)
School Lunch	135,309	643,945	654,631	-	124,623	708,018	701,408	-	131,233
Textbook Rental	147,930	154,681	162,270	-	140,341	143,800	146,782	-	137,359
Educational License Plates	1,071	188	-	-	1,259	169	-	-	1,428
Early Intervention Grant	-	30,000	30,000	-	-	22,550	18,319	-	4,231
Adult and Continuing Education 2013-2014	(4,128)	4,128	-	-	-	-	-	-	-
Adult Education Grant Year 4	-	121,806	125,806	-	(4,000)	4,000	-	-	-
Adult Education Grant Year 5	-	-	-	-	-	120,882	133,169	-	(12,287)
PAC Fund	3,744	550	41	-	4,253	150	2,315	-	2,088
St. Vincent AHA	1,057	-	-	-	1,057	-	-	-	1,057
Seeger Scholarship Trust	394,179	99,506	73,700	-	419,985	94,123	87,350	-	426,758
Steinbaugh Scholarship Trust	21,617	6,587	4,750	-	23,454	5,357	6,650	-	22,161
Credit Card Payment Fund	-	31,176	31,176	-	-	31,150	31,150	-	-
Cape Grant Interest Fund	129,353	68,150	81,635	-	115,868	66,150	81,424	-	100,594
County Drug Grant Funds	4,778	-	431	-	4,347	3,500	504	-	7,343
Ridenour Fund	30,090	4,237	29,093	-	5,234	20,280	19,507	-	6,007
Harmon Fund	84,311	80,000	84,273	-	80,038	80,000	57,647	-	102,391
Martindale Fund	48,152	34,320	64,655	-	17,817	36,820	9,374	-	45,263
Formative Assessment	-	-	-	-	-	14,094	8,512	-	5,582
Instruction Support	-	-	-	-	-	29,459	29,459	-	-
High Ability Grant 2014-2015	-	28,518	28,518	-	-	-	-	-	-
Common School Tech. Adv. Year 6	-	270,336	270,336	-	-	144,889	152,542	-	(7,653)
Secured Schools Safety Grant	(20,650)	20,650	36,000	-	(36,000)	66,000	30,000	-	-
Extra-Curricular Activities	-	13,190	13,190	-	-	12,300	12,300	-	-
School Technology	20,570	5,409	17,693	-	8,286	6,564	12,906	-	1,944
Miscellaneous Programs	95,278	31,013	25,437	-	100,854	25,568	17,672	-	108,750
Band Storage Unit Grant	(7,842)	7,250	(592)	-	-	-	-	-	-
Excess PTRC Distributions	69,078	-	-	-	69,078	-	-	-	69,078
Wellness Program Fund	150	4,500	4,500	-	150	-	150	-	-
Title I	-	120,420	120,420	-	-	119,364	119,364	-	-
PL 101-476 IDEA	(51)	285,054	285,003	-	-	283,680	283,680	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	-	-	-	-	-	-	-
Education Pre-School Handicap	-	9,835	9,835	-	-	9,817	9,817	-	-
College Prep Fund	12,776	1,000	-	-	13,776	-	-	(13,776)	-
Medicaid Reimbursement - Federal	4,499	-	-	-	4,499	-	-	-	4,499
Class Size Reduction	(2,900)	2,900	-	-	-	-	-	-	-
ITQ, Enhanced Education Through Technology, Title II, Part D	-	38,596	38,596	-	-	39,086	39,086	-	-
Payroll Clearing	-	2,059,066	2,059,066	-	-	2,043,001	2,043,001	-	-
Totals	\$ 3,789,308	\$ 15,265,275	\$ 14,576,805	\$ 100	\$ 4,477,878	\$ 15,422,332	\$ 15,027,266	\$ 1,050	\$ 4,873,994

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

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, 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 WARREN 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:

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

METROPOLITAN SCHOOL DISTRICT OF WARREN 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

METROPOLITAN SCHOOL DISTRICT OF WARREN 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 WARREN 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. Negative Disbursements

The financial statement contains some disbursements which appear as a negative entry. This is a result of a transfer of a disbursement from one fund to another.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. Most are because the funds were established for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2015 and 2016. The Construction fund had a deficit cash balance due to construction expenses paid by the School Corporation that were not reimbursed by the Warren County School Building Corporation by June 30, 2016.

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

Note 9. *Holding Corporation*

The School Corporation entered into capital leases with the Warren County School Building Corporation and the Warren County Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for leases to the School Corporation. The lessors have been determined to be related-parties of the School Corporation. Lease payments during the years ended June 30, 2015 and 2016, totaled \$871,000 and \$870,500, respectively.

Note 10. *Other Postemployment Benefits*

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

(This page intentionally left blank.)

OTHER INFORMATION - UNAUDITED

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

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

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

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,503,129	\$ 474,764	\$ 229,750	\$ 173,865	\$ -	\$ 239,429	\$ -	\$ 135,309	\$ 147,930
Receipts:									
Local sources	101,368	1,107,075	1,396,985	938,291	294,120	-	-	331,299	116,672
Intermediate sources	1,051	-	-	-	-	-	-	-	-
State sources	7,239,014	-	-	-	-	-	-	7,643	38,009
Federal sources	-	-	-	-	-	-	-	305,003	-
Other receipts	9,500	-	-	860	-	-	-	-	-
Total receipts	<u>7,350,933</u>	<u>1,107,075</u>	<u>1,396,985</u>	<u>939,151</u>	<u>294,120</u>	<u>-</u>	<u>-</u>	<u>643,945</u>	<u>154,681</u>
Disbursements:									
Instruction	4,651,376	-	-	-	-	-	-	-	-
Support services	2,406,806	-	512,985	788,012	202,208	-	-	1,193	162,270
Noninstructional services	183,238	-	-	-	-	-	-	653,438	-
Facilities acquisition and construction	-	-	473,823	-	-	164,813	-	-	-
Debt service	-	943,081	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>7,241,420</u>	<u>943,081</u>	<u>986,808</u>	<u>788,012</u>	<u>202,208</u>	<u>164,813</u>	<u>-</u>	<u>654,631</u>	<u>162,270</u>
Excess (deficiency) of receipts over disbursements	<u>109,513</u>	<u>163,994</u>	<u>410,177</u>	<u>151,139</u>	<u>91,912</u>	<u>(164,813)</u>	<u>-</u>	<u>(10,686)</u>	<u>(7,589)</u>
Other financing sources (uses):									
Sale of capital assets	100	-	-	-	-	-	-	-	-
Transfers in	-	28,904	-	-	-	141,303	-	-	-
Transfers out	-	-	(48,880)	(92,423)	-	(28,904)	-	-	-
Total other financing sources (uses)	<u>100</u>	<u>28,904</u>	<u>(48,880)</u>	<u>(92,423)</u>	<u>-</u>	<u>112,399</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>109,613</u>	<u>192,898</u>	<u>361,297</u>	<u>58,716</u>	<u>91,912</u>	<u>(52,414)</u>	<u>-</u>	<u>(10,686)</u>	<u>(7,589)</u>
Cash and investments - ending	<u>\$ 1,612,742</u>	<u>\$ 667,662</u>	<u>\$ 591,047</u>	<u>\$ 232,581</u>	<u>\$ 91,912</u>	<u>\$ 187,015</u>	<u>\$ -</u>	<u>\$ 124,623</u>	<u>\$ 140,341</u>

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

	Educational License Plates	Early Intervention Grant	Adult and Continuing Education 2013-2014	Adult Education Grant Year 4	Adult Education Grant Year 5	PAC Fund	St. Vincent AHA	Seeger Scholarship Trust	Steinbaugh Scholarship Trust
Cash and investments - beginning	\$ 1,071	\$ -	\$ (4,128)	\$ -	\$ -	\$ 3,744	\$ 1,057	\$ 394,179	\$ 21,617
Receipts:									
Local sources	-	-	-	-	-	50	-	66,256	6,587
Intermediate sources	188	-	-	-	-	-	-	-	-
State sources	-	30,000	-	-	-	-	-	-	-
Federal sources	-	-	4,128	121,806	-	-	-	-	-
Other receipts	-	-	-	-	-	500	-	33,250	-
Total receipts	188	30,000	4,128	121,806	-	550	-	99,506	6,587
Disbursements:									
Instruction	-	30,000	-	125,806	-	-	-	-	-
Support services	-	-	-	-	-	-	-	250	250
Noninstructional services	-	-	-	-	-	41	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	73,450	4,500
Total disbursements	-	30,000	-	125,806	-	41	-	73,700	4,750
Excess (deficiency) of receipts over disbursements	188	-	4,128	(4,000)	-	509	-	25,806	1,837
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	188	-	4,128	(4,000)	-	509	-	25,806	1,837
Cash and investments - ending	\$ 1,259	\$ -	\$ -	\$ (4,000)	\$ -	\$ 4,253	\$ 1,057	\$ 419,985	\$ 23,454

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

	Credit Card Payment Fund	Cape Grant Interest Fund	County Drug Grant Funds	Ridenour Fund	Harmon Fund	Martindale Fund	Formative Assessment	Instruction Support	High Ability Grant 2014-2015
Cash and investments - beginning	\$ -	\$ 129,353	\$ 4,778	\$ 30,090	\$ 84,311	\$ 48,152	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	66,150	-	237	80,000	34,320	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	28,518
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	31,176	2,000	-	4,000	-	-	-	-	-
Total receipts	31,176	68,150	-	4,237	80,000	34,320	-	-	28,518
Disbursements:									
Instruction	-	-	-	26,579	38,330	-	-	-	28,518
Support services	31,176	112	431	2,514	45,943	64,655	-	-	-
Noninstructional services	-	78,633	-	-	-	-	-	-	-
Facilities acquisition and construction	-	2,890	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	31,176	81,635	431	29,093	84,273	64,655	-	-	28,518
Excess (deficiency) of receipts over disbursements	-	(13,485)	(431)	(24,856)	(4,273)	(30,335)	-	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(13,485)	(431)	(24,856)	(4,273)	(30,335)	-	-	-
Cash and investments - ending	\$ -	\$ 115,868	\$ 4,347	\$ 5,234	\$ 80,038	\$ 17,817	\$ -	\$ -	\$ -

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

	Common School Tech. Adv. Year 6	Secured Schools Safety Grant	Extra- Curricular Activities	School Technology	Miscellaneous Programs	Band Storage Unit Grant	Excess PTRC Distributions	Wellness Program Fund	Title I
Cash and investments - beginning	\$ -	\$ (20,650)	\$ -	\$ 20,570	\$ 95,278	\$ (7,842)	\$ 69,078	\$ 150	\$ -
Receipts:									
Local sources	-	-	13,190	-	31,013	7,250	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	270,336	20,650	-	5,409	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	120,420
Other receipts	-	-	-	-	-	-	-	4,500	-
Total receipts	270,336	20,650	13,190	5,409	31,013	7,250	-	4,500	120,420
Disbursements:									
Instruction	-	-	-	-	25,437	-	-	-	119,420
Support services	-	36,000	-	-	-	-	-	4,500	1,000
Noninstructional services	-	-	13,190	-	-	-	-	-	-
Facilities acquisition and construction	270,336	-	-	17,693	-	(592)	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	270,336	36,000	13,190	17,693	25,437	(592)	-	4,500	120,420
Excess (deficiency) of receipts over disbursements	-	(15,350)	-	(12,284)	5,576	7,842	-	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(15,350)	-	(12,284)	5,576	7,842	-	-	-
Cash and investments - ending	\$ -	\$ (36,000)	\$ -	\$ 8,286	\$ 100,854	\$ -	\$ 69,078	\$ 150	\$ -

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

	PL 101-476 IDEA	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Education Pre-School Handicap	College Prep Fund	Medicaid Reimbursement - Federal	Class Size Reduction	ITQ, Enhanced Education Through Technology, Title II, Part D	Payroll Clearing	Totals
Cash and investments - beginning	\$ (51)	\$ -	\$ -	\$ 12,776	\$ 4,499	\$ (2,900)	\$ -	\$ -	\$ 3,789,308
Receipts:									
Local sources	-	-	-	1,000	-	-	-	-	4,591,863
Intermediate sources	-	-	-	-	-	-	-	-	1,239
State sources	-	-	-	-	-	2,900	-	-	7,642,479
Federal sources	285,054	-	9,835	-	-	-	38,596	-	884,842
Other receipts	-	-	-	-	-	-	-	2,059,066	2,144,852
Total receipts	285,054	-	9,835	1,000	-	2,900	38,596	2,059,066	15,265,275
Disbursements:									
Instruction	285,003	-	-	-	-	-	37,596	-	5,368,065
Support services	-	-	9,835	-	-	-	1,000	-	4,271,140
Noninstructional services	-	-	-	-	-	-	-	-	928,540
Facilities acquisition and construction	-	-	-	-	-	-	-	-	928,963
Debt service	-	-	-	-	-	-	-	-	943,081
Nonprogrammed charges	-	-	-	-	-	-	-	2,059,066	2,137,016
Total disbursements	285,003	-	9,835	-	-	-	38,596	2,059,066	14,576,805
Excess (deficiency) of receipts over disbursements	51	-	-	1,000	-	2,900	-	-	688,470
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	100
Transfers in	-	-	-	-	-	-	-	-	170,207
Transfers out	-	-	-	-	-	-	-	-	(170,207)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	100
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	51	-	-	1,000	-	2,900	-	-	688,570
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 13,776	\$ 4,499	\$ -	\$ -	\$ -	\$ 4,477,878

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,612,742	\$ 667,662	\$ 591,047	\$ 232,581	\$ 91,912	\$ 187,015	\$ -	\$ 124,623	\$ 140,341
Receipts:									
Local sources	63,411	1,190,334	1,395,093	958,051	300,578	64,679	-	372,620	106,164
Intermediate sources	526	-	-	-	-	-	-	-	-
State sources	7,301,010	-	-	-	-	-	-	8,460	37,636
Federal sources	-	-	-	-	-	-	-	326,938	-
Other receipts	8,079	-	9,321	479	-	-	-	-	-
Total receipts	<u>7,373,026</u>	<u>1,190,334</u>	<u>1,404,414</u>	<u>958,530</u>	<u>300,578</u>	<u>64,679</u>	<u>-</u>	<u>708,018</u>	<u>143,800</u>
Disbursements:									
Instruction	4,815,541	-	-	-	-	-	-	-	-
Support services	2,443,306	-	655,087	766,318	241,420	-	346,983	604	146,782
Noninstructional services	206,390	-	-	-	-	-	-	700,804	-
Facilities acquisition and construction	-	-	468,792	-	-	109,986	-	-	-
Debt service	-	919,355	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>7,465,237</u>	<u>919,355</u>	<u>1,123,879</u>	<u>766,318</u>	<u>241,420</u>	<u>109,986</u>	<u>346,983</u>	<u>701,408</u>	<u>146,782</u>
Excess (deficiency) of receipts over disbursements	<u>(92,211)</u>	<u>270,979</u>	<u>280,535</u>	<u>192,212</u>	<u>59,158</u>	<u>(45,307)</u>	<u>(346,983)</u>	<u>6,610</u>	<u>(2,982)</u>
Other financing sources (uses):									
Sale of capital assets	50	-	-	1,000	-	-	-	-	-
Transfers in	168,365	-	-	-	573	597,785	-	-	-
Transfers out	-	(154,589)	(182,321)	(263,821)	(151,643)	(573)	-	-	-
Total other financing sources (uses)	<u>168,415</u>	<u>(154,589)</u>	<u>(182,321)</u>	<u>(262,821)</u>	<u>(151,070)</u>	<u>597,212</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>76,204</u>	<u>116,390</u>	<u>98,214</u>	<u>(70,609)</u>	<u>(91,912)</u>	<u>551,905</u>	<u>(346,983)</u>	<u>6,610</u>	<u>(2,982)</u>
Cash and investments - ending	<u>\$ 1,688,946</u>	<u>\$ 784,052</u>	<u>\$ 689,261</u>	<u>\$ 161,972</u>	<u>\$ -</u>	<u>\$ 738,920</u>	<u>\$ (346,983)</u>	<u>\$ 131,233</u>	<u>\$ 137,359</u>

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

	Educational License Plates	Early Intervention Grant	Adult and Continuing Education 2013-2014	Adult Education Grant Year 4	Adult Education Grant Year 5	PAC Fund	St. Vincent AHA	Seeger Scholarship Trust	Steinbaugh Scholarship Trust
Cash and investments - beginning	\$ 1,259	\$ -	\$ -	\$ (4,000)	\$ -	\$ 4,253	\$ 1,057	\$ 419,985	\$ 23,454
Receipts:									
Local sources	-	-	-	-	-	150	-	70,123	5,357
Intermediate sources	169	-	-	-	-	-	-	-	-
State sources	-	22,550	-	-	-	-	-	-	-
Federal sources	-	-	-	4,000	120,882	-	-	-	-
Other receipts	-	-	-	-	-	-	-	24,000	-
Total receipts	169	22,550	-	4,000	120,882	150	-	94,123	5,357
Disbursements:									
Instruction	-	18,319	-	-	133,169	-	-	-	-
Support services	-	-	-	-	-	-	-	250	250
Noninstructional services	-	-	-	-	-	2,315	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	87,100	6,400
Total disbursements	-	18,319	-	-	133,169	2,315	-	87,350	6,650
Excess (deficiency) of receipts over disbursements	169	4,231	-	4,000	(12,287)	(2,165)	-	6,773	(1,293)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	169	4,231	-	4,000	(12,287)	(2,165)	-	6,773	(1,293)
Cash and investments - ending	\$ 1,428	\$ 4,231	\$ -	\$ -	\$ (12,287)	\$ 2,088	\$ 1,057	\$ 426,758	\$ 22,161

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

	Credit Card Payment Fund	Cape Grant Interest Fund	County Drug Grant Funds	Ridenour Fund	Harmon Fund	Martindale Fund	Formative Assessment	Instruction Support	High Ability Grant 2014-2015
Cash and investments - beginning	\$ -	\$ 115,868	\$ 4,347	\$ 5,234	\$ 80,038	\$ 17,817	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	66,150	3,500	3,335	80,000	36,820	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	14,094	29,459	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	31,150	-	-	16,945	-	-	-	-	-
Total receipts	31,150	66,150	3,500	20,280	80,000	36,820	14,094	29,459	-
Disbursements:									
Instruction	-	-	-	-	35,827	-	8,512	29,459	-
Support services	31,150	95	504	19,507	21,820	9,374	-	-	-
Noninstructional services	-	77,759	-	-	-	-	-	-	-
Facilities acquisition and construction	-	3,570	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	31,150	81,424	504	19,507	57,647	9,374	8,512	29,459	-
Excess (deficiency) of receipts over disbursements	-	(15,274)	2,996	773	22,353	27,446	5,582	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(15,274)	2,996	773	22,353	27,446	5,582	-	-
Cash and investments - ending	\$ -	\$ 100,594	\$ 7,343	\$ 6,007	\$ 102,391	\$ 45,263	\$ 5,582	\$ -	\$ -

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

	Common School Tech. Adv. Year 6	Secured Schools Safety Grant	Extra- Curricular Activities	School Technology	Miscellaneous Programs	Band Storage Unit Grant	Excess PTRC Distributions	Wellness Program Fund	Title I
Cash and investments - beginning	\$ -	\$ (36,000)	\$ -	\$ 8,286	\$ 100,854	\$ -	\$ 69,078	\$ 150	\$ -
Receipts:									
Local sources	-	-	12,300	-	25,568	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	144,889	66,000	-	6,564	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	119,364
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	144,889	66,000	12,300	6,564	25,568	-	-	-	119,364
Disbursements:									
Instruction	-	-	-	-	17,672	-	-	-	118,364
Support services	-	30,000	-	-	-	-	-	150	1,000
Noninstructional services	-	-	12,300	-	-	-	-	-	-
Facilities acquisition and construction	152,542	-	-	12,906	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	152,542	30,000	12,300	12,906	17,672	-	-	150	119,364
Excess (deficiency) of receipts over disbursements	(7,653)	36,000	-	(6,342)	7,896	-	-	(150)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,653)	36,000	-	(6,342)	7,896	-	-	(150)	-
Cash and investments - ending	\$ (7,653)	\$ -	\$ -	\$ 1,944	\$ 108,750	\$ -	\$ 69,078	\$ -	\$ -

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

	PL 101-476 IDEA	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Education Pre-School Handicap	College Prep Fund	Medicaid Reimbursement - Federal	Class Size Reduction	ITQ, Enhanced Education Through Technology, Title II, Part D	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 13,776	\$ 4,499	\$ -	\$ -	\$ -	\$ 4,477,878
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,754,233
Intermediate sources	-	-	-	-	-	-	-	-	695
State sources	-	-	-	-	-	-	-	-	7,630,662
Federal sources	283,680	-	9,817	-	-	-	39,086	-	903,767
Other receipts	-	-	-	-	-	-	-	2,043,001	2,132,975
Total receipts	283,680	-	9,817	-	-	-	39,086	2,043,001	15,422,332
Disbursements:									
Instruction	283,680	-	-	-	-	-	38,086	-	5,498,629
Support services	-	-	9,817	-	-	-	1,000	-	4,725,417
Noninstructional services	-	-	-	-	-	-	-	-	999,568
Facilities acquisition and construction	-	-	-	-	-	-	-	-	747,796
Debt service	-	-	-	-	-	-	-	-	919,355
Nonprogrammed charges	-	-	-	-	-	-	-	2,043,001	2,136,501
Total disbursements	283,680	-	9,817	-	-	-	39,086	2,043,001	15,027,266
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-	-	395,066
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	1,050
Transfers in	-	-	-	-	-	-	-	-	766,723
Transfers out	-	-	-	(13,776)	-	-	-	-	(766,723)
Total other financing sources (uses)	-	-	-	(13,776)	-	-	-	-	1,050
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(13,776)	-	-	-	-	396,116
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 4,499	\$ -	\$ -	\$ -	\$ 4,873,994

(This page intentionally left blank.)

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

Description of Debt		Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Type	Purpose			
Governmental activities:				
Warren County School Building Corporation	Improvement of Seeger Jr. & Sr. High School	\$ 441,000	06/30/2013	12/31/2019
Warren County Building Corporation	Additional Classroom and Renovation	<u>428,000</u>	06/30/2006	12/31/2021
Total		<u>\$ 869,000</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
General obligation bonds	Construction	\$ 1,950,000	\$ 88,650
Totals		<u>\$ 1,950,000</u>	<u>\$ 88,650</u>

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

Description of Debt		Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Type	Purpose			
Governmental activities:				
Warren County School Building Corporation	Improvement of Seeger Jr. & Sr. High School	\$ 441,000	06/30/2013	12/31/2019
Warren County Building Corporation	Additional Classroom and Renovation	<u>428,000</u>	06/30/2006	12/31/2021
Total		<u>\$ 869,000</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
General obligation bonds	Construction	\$ 1,950,000	\$ 88,650
Totals		<u>\$ 1,950,000</u>	<u>\$ 88,650</u>

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
SCHEDULE OF CAPITAL ASSETS
June 30, 2016

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	\$ 760,000
Infrastructure	1,905,288
Buildings	69,846,229
Improvements other than buildings	600,730
Machinery, equipment, and vehicles	<u>4,467,941</u>
Total capital assets	<u>\$ 77,580,188</u>

(This page intentionally left blank.)

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 WARREN COUNTY, WARREN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan School District of Warren County's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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. Except as discussed in the following paragraph, 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.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2016-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Eligibility. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

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

As described in items 2016-004 and 2016-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Program Income and Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in item 2016-010 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with Title I Grants to Local Educational Agencies regarding Special Tests and Provisions - Assessment Security System. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of Child Nutrition Cluster regarding Eligibility and the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2014 to June 30, 2016.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of Title I Grants to Local Educational Agencies regarding Special Tests and Provisions - Assessment Security System, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Title I Grants to Local Educational Agencies for the period of July 1, 2014 to June 30, 2016.

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 items 2016-006 and 2016-009. Our opinion on each major federal program is not modified with respect to these matters.

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.

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

Report on Internal Control over Compliance


Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, and 2016-010 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

May 15, 2018

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.

(This page intentionally left blank.)

METROPOLITAN SCHOOL DISTRICT OF WARREN 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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 14-15, FY 15-16	\$ -	\$ 65,810	\$ -	\$ 74,553
National School Lunch Program		10.555					
School Lunch			FY 14-15, FY 15-16	-	239,192	-	252,385
School Lunch - Commodities			FY 14-15, FY 15-16	-	36,885	-	38,827
Total - National School Lunch Program				-	276,077	-	291,212
Total - Child Nutrition Cluster				-	341,887	-	365,765
Total - Department of Agriculture				-	341,887	-	365,765
Department of Justice							
Juvenile Accountability Block Grants Criminal Justice Grant	Indiana Criminal Justice Institute	16.523	11-JB-1862	-	2,900	-	-
Total - Department of Justice				-	2,900	-	-
Department of Education							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
Special Education Part B Section 611			14214-090-PN01	-	51	-	-
Special Education Part B Section 611			14215-090-PN01	-	285,003	-	-
Special Education Part B Section 611			14216-083-PN01	-	-	-	283,680
Total - Special Education_Grants to States				-	285,054	-	283,680
Special Education_Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool IDEA Part B Section 619			45714-090-PN01	-	9,835	-	-
Special Education Preschool IDEA Part B Section 619			45716-083-PN01	-	-	-	9,817
Total - Special Education_Preschool Grants				-	9,835	-	9,817
Total - Special Education Cluster (IDEA)				-	294,889	-	293,497
Adult Education - Basic Grants to States	Indiana Department of Education	84.002					
Adult Education			C1-5-AE4-109	-	42,529	-	-
Adult Education			C1-6-AE5-109	-	-	-	45,730
Total - Adult Education - Basic Grants to States				-	42,529	-	45,730
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A			15-8115	-	120,420	-	-
Title I Part A			16-8115	-	-	-	119,364
Total - Title I Grants to Local Educational Agencies				-	120,420	-	119,364
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			FFY2014	-	38,596	-	-
Title II Part A			FFY2015	-	-	-	39,086
Total - Supporting Effective Instruction State Grants				-	38,596	-	39,086
Total - Department of Education				-	496,434	-	497,677
Total federal awards expended				\$ -	\$ 841,221	\$ -	\$ 863,442

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

METROPOLITAN SCHOOL DISTRICT OF WARREN 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.

Note 3. Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative. As a result, some of the activity for the Special Education Cluster (IDEA) 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 fiscal agent for the Special Education Cooperative.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
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:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster 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 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting. There was a lack of segregation of duties as the School Corporation had not separated incompatible activities related to receipts. The School Corporation also had not properly implemented an effective system of internal controls to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

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

Receipts

The Treasurer issued receipts, recorded receipts, and took the deposits to the bank. There was no segregation of duties, such as an oversight, review, or approval process.

Schedule of Expenditures of Federal Awards

The School Corporation did not have an adequate control system in place to ensure the accuracy of the SEFA prior to submission. Federal grant information was prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source for the SEFA, without an oversight or review process.

Context

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

Criteria

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

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

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

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

Cause

The School Corporation had not established a proper system of internal control that segregated key functions.

Effect

The failure to establish and properly implement controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure that Financial Transactions are properly recorded and reported and that federal expenditures are properly reported in the SEFA.

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

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 2016-002

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, 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 Requirements: Activities Allowed or Unallowed, Allowable Costs/
Cost Principles, Cash Management
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit regarding Cash Management. The prior audit finding number was 2014-001.

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

The School Corporation had not designed or implemented adequate internal controls to ensure that disbursements from program funds had proper oversight or review prior to payment.

Cash Management

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in compliance with Cash Management requirements. There was no oversight, review, or monitoring of the cash balances.

Context

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

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation's management had not developed a system of internal controls to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements.

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 listed above. 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 related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements.

Views of Responsible Officials

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

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

FINDING 2016-003

Subject: Child Nutrition Cluster - Eligibility
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: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement.

The School Corporation had not established effective controls to ensure that criteria for determining the eligibility of children for free and reduced price meals was publicly announced as required.

The School Corporation was unable to provide evidence that they complied with the Eligibility requirements regarding the public announcement of eligibility criteria. Policy statements used for public announcement of eligibility criteria and other eligibility information were not presented for audit.

Context

The lack of controls and lack of documentation regarding compliance were systemic issues 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 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 WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 245.5(a) states in part:

"After the State agency, or FNSRO where applicable, notifies the local educational agency (as defined in § 245.2) that its criteria for determining the eligibility of children for free and reduced meals and for free milk have been approved, the local educational agency (as defined in § 245.2) shall publicly announce such criteria: *Provided however*, that no such public announcement shall be required for boarding schools, residential child care institutions (see § 210.2 of this chapter, definition of *Schools*), or a school which includes food service fees in its tuition, where all attending children are provided the same meals or milk. Such announcements shall be made at the beginning of the school year or, if notice of approval is given thereafter, within 10 days after the notice is received. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured that documentation was maintained and made available for audit related to compliance with the Eligibility compliance requirement.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation will be maintained and made available for audit related to the Eligibility compliance requirement.

Views of Responsible Officials

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

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

FINDING 2016-004

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
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: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-001.

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 Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation did not have internal controls in place to ensure that the purchasing methods used complied with procurement procedures or with applicable state and local requirements.

A local Procurement policy was not implemented by the School Corporation for the audit period.

The School Corporation awarded bids and entered into contracts with vendors for food products, materials, and supplies. Those contracts were not approved by the School Board.

The School Corporation did not always obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

Suspension and Debarment

The School Corporation did not have adequate policies or procedures in place to ensure that vendors were not suspended or debarred from participation in federal award programs.

The School Corporation did not comply with the suspension and debarment requirements that they perform procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of adequate controls and the noncompliance were systemic issues throughout the audit period.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
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. . . ."

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). . . ."

7 CFR 3016.36(b) states in part: "*Procurement standards.* (1) Grantees and sub-grantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

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

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

Indiana Code 20-26-4-8 states:

"Notwithstanding any other law, the president and secretary of the governing body of a school corporation are entitled, on behalf of the school corporation, to sign any contract, including employment contracts and contracts for goods and services. However, each contract must be approved by a majority of all members of the governing body. In the absence of either the president or secretary of the governing body, the vice president is entitled to sign the contracts with the officer who is present."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with 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.

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

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2016-005

Subject: Child Nutrition Cluster - Program Income

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: Program Income

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective system of internal controls related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not properly designed or implemented adequate controls to ensure that the correct price was charged for meals served or other items sold. There was no comparison of total daily, weekly, or monthly program income to meals served from the software system.

The School Corporation did not comply with program income requirements. They did not transfer the correct amount of sales from the prepaid food account. The transfer from the Prepaid Lunch fund to the School Lunch fund was the difference between the beginning balance in the prepaid account and the ending positive prepaid balance per the food service software system. The actual program income generated from the food service program was not transferred or recorded.

Context

The lack of controls and the noncompliance were systemic issues 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. . . ."

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

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). . . ."

7 CFR 210.14(c) states: "*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.13(j) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their non-profit school food service. . . ."

2 CFR 200.302(b)(3) states: "Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. 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's management establish controls to ensure compliance and comply with the Program Income compliance requirement.

Views of Responsible Officials

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

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

FINDING 2016-006

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-001.

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 Reporting compliance requirement. The Annual Financial Reports (AFR), Monthly Sponsor Claims for Reimbursement, and School Food Authority (SFA) Verification Collection Reports were prepared and submitted by one individual, without a documented oversight, review, or approval process.

The AFRs submitted did not agree with the School Corporation's underlying financial records. Income and expenses for fiscal year 2014-2015 were overstated by \$11,459 and \$362, respectively. Income and expenses for fiscal year 2015-2016 were overstated by \$28,610 and \$22,085, respectively.

Context

The lack of controls was a systemic issue that affected all reports submitted during the audit period. Both of the AFRs submitted during the audit period did not agree with the underlying financial records.

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 WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

2 CFR 200.302(b)(2) states in part: "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with 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 to ensure compliance and comply with the Reporting compliance requirement.

Views of Responsible Officials

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

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

FINDING 2016-007

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

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 2014-15, FY 2015-16

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Condition

The School Corporation had not established an effective system of internal controls related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and the Special Tests and Provisions - Paid Lunch Equity compliance requirements.

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

The Food Service Director performed the verifications of free and reduced price meal applications without a proper system of oversight or review to ensure their accuracy.

Special Tests and Provisions - Paid Lunch Equity - National School Lunch Program Only

The Food Service Director completed the paid lunch equity calculation without an oversight or review process to ensure the accuracy of the calculation.

Context

The lack of internal controls was a systemic issue 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 200.303 states in part:

"The non-Federal entity must:

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

(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

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions compliance requirements listed above.

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 listed above. 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 programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and the Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

FINDING 2016-008

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions - Annual Report Card, High School Graduation Rate

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): 15-8115, 16-8115

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

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

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 Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirements.

Allowable Costs/Cost Principles

The School Corporation had not properly designed or implemented adequate internal controls to ensure that monthly time and effort reporting logs were accurate during the audit period. There was no review or approval of the monthly time and effort reporting logs.

Eligibility

The School Corporation had not designed or implemented adequate internal controls to ensure the accuracy of the individual students' determinations of eligibility to receive Title I benefits. Testing was performed at the building level and students were ranked based upon their test scores. There was no review of the individual student determinations after the student ranks had been made.

Special Tests and Provisions - Annual Report Card, High School Graduation Rate

The School Corporation did not have controls to ensure that documentation regarding the reason for a student leaving the high school cohort graduation rate for mobility reasons was reviewed.

Context

The lack of internal controls was a systemic issue 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 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 WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

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 listed above. 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 program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirements.

Views of Responsible Officials

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

FINDING 2016-009

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability
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): 15-8115, 16-8115
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Comparability
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 Special Tests and Provisions - Comparability compliance requirement.

One employee prepared and submitted the Comparability Report without evidence of a proper system of oversight or review. Additionally, the School Corporation did not comply with the comparability requirement that it adopt policies to ensure equivalence among schools. No such equivalency policies were presented for audit.

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

Context

The lack of controls and noncompliance were systemic issues 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 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). . . ."

Elementary and Secondary Education Act, Part A, Subpart 1, Section 1120A states in part:

"(c) COMPARABILITY OF SERVICES- . . .

(2) WRITTEN ASSURANCE-

(A) EQUIVALENCE- A local educational agency shall be considered to have met the requirements of paragraph (1) if such agency has filed with the State educational agency a written assurance that such agency has established and implemented--

- (i) a local educational agency-wide salary schedule;
- (ii) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and
- (iii) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies."

Cause

The School Corporation had not developed a system of internal controls that that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Comparability compliance requirement.

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. 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's management establish controls to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Comparability compliance requirement.

Views of Responsible Officials

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

FINDING 2016-010

Subject: Title I Grants to Local Educational Agencies - Special
Tests and Provisions - Assessment System Security
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): 15-8115, 16-8115
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Assessment System Security
Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation was required to properly implement policies and procedures regarding the security of tests. The School Corporation did not maintain Indiana Testing Security and Integrity Agreements (Agreements) for any individual who administered, handled, or had access to secure test materials at the district or school level.

Context

The lack of controls was a systemic issue during the audit period. The noncompliance was related to the 2016 fiscal year. Agreements were not retained or presented for audit for the 2016 fiscal year.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
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. . . ."

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). . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed. . . ."

Indiana Assessment Program Manual, Chapter 10, Section 4, Part D states in part: ". . . Ensure all applicable school and corporation staff review and sign the *Indiana Testing Security and Integrity Agreement* annually by the end of September as described in the Code of Ethical Practices and Procedures . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured that documentation related to the Special Tests and Provisions - Assessment System Security compliance requirement was maintained and made available for audit.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Special Tests and Provisions - Assessment System Security compliance requirement is maintained.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

Metropolitan School District of Warren County

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

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

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001

Fiscal year in which the finding initially occurred: FY 13 and FY14
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Nanette Ware
Contact Phone Number: 765-762-3364

Status of Audit Finding: The changes we made were not sufficient to establish adequate internal controls over the requirements of Cash Management, Reporting and Procurement and Suspension and Debarment.



(Signature)

Treasurer

(Title)

May 2, 2018

(Date)

Metropolitan School District of Warren County

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

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

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

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

CORRECTIVE ACTION PLAN

FINDING 2016-001

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

Description of Correction Action Plan: Management of M.S.D. of Warren County will correct deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The observed lack of segregation of duties of incompatible activities related to receipts is currently checked by the Payroll Clerk after being prepared by the Treasurer. The Payroll Clerk will begin initialing receipts and deposits to indicate review. If the Payroll Clerk is unavailable, the Superintendent or As. Superintendent will review receipts.

Gateway submissions will be reviewed by the Payroll Clerk or a central office administrator prior to final submission. Reports will be printed and initialed indicating review and approval.

Anticipated Completion Date: This process has already begun.

Nanette Ware
(signature)

Treasurer
(title)

May 15, 2018
(date)

Metropolitan School District of Warren County

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

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

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

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

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person(s) Responsible for Corrective Action: Kim Swaney, Ralph Shrader
Contact Phone Number(s): (765)893-4445, (765)762-3364

Description of Correction Action Plan: M.S.D. of Warren County will document the use of a review/oversight of disbursements from program funds prior to payment. Head cooks will approve claims for payment which will be submitted to the Hot Lunch Secretary for payment. Claims will be prepared by the Hot Lunch Secretary and then processed by the School Treasurer. Each individual will initial or sign showing approval of disbursements. Building principals will serve as the third layer of oversight if buildings do not have a secretary responsible for hot lunch.

M.S.D. of Warren County will monitor lunch fund monthly cash balances (net cash resources) to assure that three months' average expenditures are in compliance with Cash Management requirements. Monthly balances are currently reviewed by the Superintendent of Schools and will be tracked using a spreadsheet. This spreadsheet will be shared with head cooks and the Hot Lunch Secretary to verify accuracy which will be indicated by the initialing of the financial documentation on a quarterly basis.

Anticipated Completion Date: Ongoing: A training of all school secretaries and building administrators will take place at the conclusion of the 2017-2018 school year. The financial tracking has already begun.

Kim Swaney
(signature)

Hot Lunch Secretary
(title)

5-15-18

(date)

Ralph Shrader
(signature)

Superintendent
(title)

5/15/18

(date)

Metropolitan School District of Warren County

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

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

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

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

CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person(s) Responsible for Corrective Action: Kim Swaney
Contact Phone Number(s): (765)893-4445

Description of Correction Action Plan: M.S.D. of Warren County will establish effective controls to ensure that criteria for determining the eligibility of children for free and reduced price meals was publicly announced as required. Criteria is currently listed on the school website, provided at school registration, and shared during student/parent orientation prior to school. Documentation of these events will be maintained and initialed by individuals involved in the process. This documentation will be maintained until proper audits are completed.

Anticipated Completion Date: 2018-2019 school year: documentation will be initialed and saved for orientation for the upcoming school year.

Kim Swaney
(signature)

Hot Lunch Secretary
(title)

5-15-18
(date)

Metropolitan School District of Warren County

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

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

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

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

CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person(s) Responsible for Corrective Action: Kim Swaney
Contact Phone Number(s): (765)893-4445

Description of Correction Action Plan: M.S.D. of Warren County will assure that internal controls are in place to ensure that the purchasing methods used comply with procurement procedures or with applicable state and local requirements. The School Corporation will award bids and enter contracts as approved by the School Board. The School Corporation will maintain documentation of any procedures performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

The School Corporation will obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500 and document the rationale for the method of procurement.

Anticipated Completion Date: 2018-2019 school year: The procedures will begin immediately.

Kim Swaney

(signature)

Hot Lunch Secretary

(title)

5-15-18

(date)

Metropolitan School District of Warren County

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

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

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

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

CORRECTIVE ACTION PLAN

FINDING 2016-005

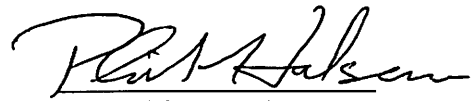
Contact Person(s) Responsible for Corrective Action: Kim Swaney, Phil Halsema
Contact Phone Number(s): (765)893-4445, (765)762-3364

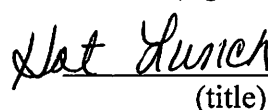
Description of Correction Action Plan: M.S.D. of Warren County will establish adequate controls to ensure that the correct price is charged for meals served or other items sold. A report generated from our cafeteria software will be used monthly to assure program income matches meals served.

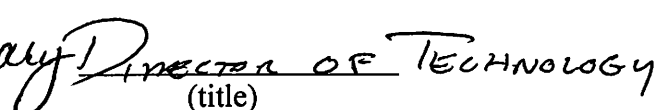
All deposits of prepaid lunch funds will be made into the Prepaid Lunch fund and transferred into the School Lunch fund only after goods are purchased. The actual program income generated from the food service program will be recorded.

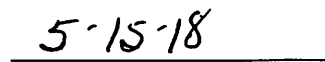
Anticipated Completion Date: 2018-2019 school year: Training will take place at the conclusion of the 2017-2018 school year.

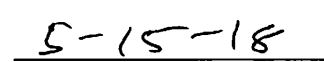

(signature)


(signature)


(title)


(title)


(date)


(date)

Metropolitan School District of Warren County

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

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

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

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

CORRECTIVE ACTION PLAN

FINDING 2016-006

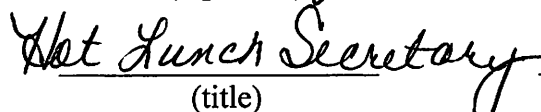
Contact Person(s) Responsible for Corrective Action: Kim Swaney, Phil Halsema
Contact Phone Number(s): (765)893-4445, (765)762-3364

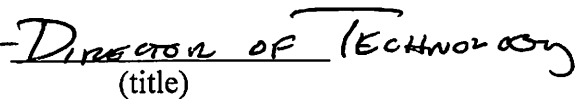
Description of Correction Action Plan: M.S.D. of Warren County will establish an effective internal control system to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The Annual Financial Reports, Monthly Sponsor Claims for Reimbursement, and School Food Authority (SFA) Verification Collection Reports will be prepared and submitted by one individual with a documented oversight, review, and approval process. Monthly reports generated by the school lunch software along with an annual spreadsheet produced by the technology director will be used to prepare reports. All reports will be initialed as reviewed and approved.

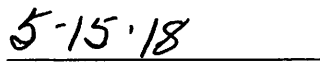
Anticipated Completion Date: July 1, 2018: Training will take place at the conclusion of the 2017-2018 school year.

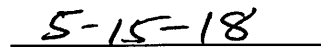

(signature)


(signature)


(title)


(title)


(date)


(date)

Metropolitan School District of Warren County

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

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

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

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

CORRECTIVE ACTION PLAN

FINDING 2016-007

Contact Person(s) Responsible for Corrective Action: Kim Swaney
Contact Phone Number(s): (765)893-4445

Description of Correction Action Plan: M.S.D. of Warren County will document the effective system of internal controls related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and the Special Tests and Provisions - Paid Lunch Equity compliance requirements. The Hot Lunch Secretary currently completes the verifications of free and reduced price applications and performs the calculations for paid lunch equity. These calculations are reviewed by the Building Treasurer and Building Principal who approves the applications and ensures their accuracy. Individuals will initial or sign to indicate review and approval.

Anticipated Completion Date: Immediate: Process has been in place, initialing of applications will begin immediately.

Kim Swaney
(signature)

Hot Lunch Secretary
(title)

5/15/18

(date)

Metropolitan School District of Warren County

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

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

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

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

CORRECTIVE ACTION PLAN

FINDING 2016-008

Contact Person(s) Responsible for Corrective Action: Pam Larson, Rob Beckett
Contact Phone Number(s): (765)893-4525, (765)893-4445

Description of Correction Action Plan: M.S.D. of Warren County will document the effective internal control system that is in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirements.

The School Corporation will ensure that monthly time and effort reporting logs are accurate through review by the Title I Coordinator and Building Principal both of which will initial the logs. Both individuals have first-hand knowledge of the work performed with the Building Principal serving as supervisor for the building.

Current review of individual students' determinations of eligibility to receive Title I benefits is based on testing conducted by classroom teachers. Testing was performed at the building level and students were ranked based upon their test scores. This ranking is then reviewed by the Title 1 Coordinator, Corporation Curriculum Specialists, Building Principal, and classroom teacher. Each individual will now initial the ranking to indicate review and approval.

The School Corporation has developed a method of documentation regarding the reason for a student leaving the high school cohort and will review at the building level. Members of the guidance department along with building administrators will sign to indicate approval and knowledge of the withdrawal.

Anticipated Completion Date: Immediate; Documentation of review has started.

Pam Larson
(signature)

Rob Beckett
(signature)

Title I Coordinator
(title)

Principal SHS
(title)

5/14/18
(date)

5-14-18
(date)

Metropolitan School District of Warren County

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

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

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

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

CORRECTIVE ACTION PLAN

FINDING 2016-009

Contact Person(s) Responsible for Corrective Action: Pam Larson, Ralph Shrader
Contact Phone Number(s): (765)893-4525, (765)762-3364

Description of Correction Action Plan: M.S.D. of Warren County will document the effective internal control system in place at the School Corporation in order to demonstrate compliance with requirements related to the grant agreement and Special Tests and Provisions - Comparability compliance requirement. The Title 1 Coordinator prepares and submits the Comparability report which is reviewed by the Corporation Curriculum Specialists and Building Administrators. Individuals will initial reports to acknowledge review and approval.

M.S.D. of Warren County adopted a policy to ensure equivalence among schools on May 8, 2018.

Anticipated Completion Date: Immediate: Documentation of review has started.

Pam Larson
(signature)

Title I Coordinator
(title)

5/14/18
(date)

Ralph Shrader
(signature)

Superintendent
(title)

5/15/18
(date)

Metropolitan School District of Warren County

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

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

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

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

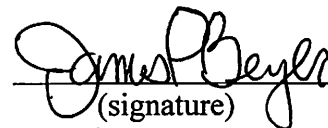
CORRECTIVE ACTION PLAN

FINDING 2016-010

Contact Person(s) Responsible for Corrective Action: James Beyer
Contact Phone Number(s): (765)762-3364

Description of Correction Action Plan: M.S.D. of Warren County developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Assessment System Security compliance requirement. A policy was adopted on May 8, 2018. The School Corporation will maintain Indiana Testing Security and Integrity Agreements (Agreements) for any individual who administered, handled, or had access to secure test materials at the district or school level.

Anticipated Completion Date: Immediate.


(signature)

Assistant Superintendent
(title)

05/15/2018
(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/>.