

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 SHAKAMAK
GREENE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
09/28/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela Jerrells Jennifer Barcus	07-01-14 to 06-30-16 07-01-16 to 06-30-19
Superintendent of Schools	Mike Mogan Daniel A. Noel	07-01-14 to 06-30-18 07-01-18 to 06-30-19
President of the School Board	Jeffery B. Miller	01-01-14 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF SHAKAMAK, GREENE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Metropolitan School District of Shakamak (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.

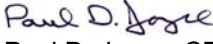
Other Information

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 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 September 4, 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

September 4, 2018



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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF SHAKAMAK, GREENE 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 Shakamak (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 September 4, 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 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

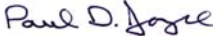
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

September 4, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
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			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-14	Receipts	Disbursements		06-30-15	Receipts	Disbursements		
General	\$ 186,223	\$ 5,577,948	\$ 5,522,022	\$ -	\$ 242,149	\$ 5,332,794	\$ 5,375,093	\$ -	\$ 199,850
Debt Service	201,273	360,410	310,534	4,930	256,079	406,169	458,598	-	203,650
Retirement/Severance Bond Debt Service	96,186	178,012	174,332	2,822	102,688	179,407	174,314	-	107,781
Capital Projects	135,709	485,369	421,040	6,748	206,786	434,272	459,043	(20,000)	162,015
School Transportation	72,995	343,045	288,370	(25,427)	102,243	318,000	289,828	(29,994)	100,421
School Bus Replacement	101,407	61,775	62,000	1,158	102,340	66,791	127,692	-	41,439
Rainy Day	1,041,166	-	-	30,000	1,071,166	8,517	-	50,000	1,129,683
Retirement/Severance Bond	-	-	-	-	-	-	-	-	-
Construction	-	20,000	-	-	20,000	-	-	-	20,000
School Lunch	155,939	360,089	315,203	-	200,825	309,045	432,518	-	77,352
Textbook Rental	16,210	71,805	77,328	-	10,687	84,929	47,687	-	47,929
Self-Insurance	564,778	491,067	121,340	-	934,505	409,777	952,847	-	391,435
Levy Excess	20,231	6	-	(20,231)	6	-	-	(6)	-
Early Intervention Grant	-	3,530	3,530	-	-	-	-	-	-
Library Donations	1	-	1	-	-	-	-	-	-
Boston Scientific Grant	-	10,000	3,000	-	7,000	-	7,000	-	-
Donations - Nurse Supplies	1,146	480	738	-	888	350	233	-	1,005
REMC Grant	-	149	-	-	149	-	149	-	-
Duke Energy Grant	-	1,074	913	-	161	-	161	-	-
Railroad Community Grant	-	-	-	-	-	7,000	7,000	-	-
Donation - Academics	500	-	-	-	500	-	-	-	500
Tobacco & Cessation Grant	100	-	-	-	100	-	100	-	-
Donation - Coca Cola	-	-	-	-	-	7,500	2,752	-	4,748
Donation - Art Department	100	-	100	-	-	-	-	-	-
Indiana Retired Teachers Association	-	-	-	-	-	200	198	-	2
Kindergarten Donation	1,280	-	-	-	1,280	-	385	-	895
Donations - Walmart	-	-	-	-	-	2,000	2,000	-	-
Adult and Continuing Education	175	-	-	-	175	-	-	-	175
Scholarships and Awards	200	-	200	-	-	-	-	-	-
Miscellaneous Programs	699	-	-	-	699	-	-	-	699
Teachers Tutoring Student	-	-	-	-	-	-	-	-	-
High Ability 2013-2014	9,304	-	9,304	-	-	-	-	-	-
High Ability 2014-2015	-	27,135	8,377	-	18,758	-	18,758	-	-
High Ability 2015-2016	-	-	-	-	-	28,178	22,013	-	6,165
Teacher Quality Improvement Program	17,811	-	-	-	17,811	-	2,497	-	15,314
Economic Education Mini Grant	149	-	-	-	149	-	149	-	-
Medicaid Reimbursement	31,555	54	3,729	-	27,880	-	3,348	-	24,532
Secured Schools Safety Grant	(1,243)	1,243	7,002	-	(7,002)	9,678	12,100	-	(9,424)
School Technology	46,763	8,123	29,283	-	25,603	15,778	7,320	-	34,061
21st Century Scholars	-	-	-	-	-	1,000	1,000	-	-
ISTA Settlement	57,871	-	-	-	57,871	-	-	-	57,871
Excess PTRC Distributions	-	-	-	-	-	-	-	-	-
Project Lead the Way	9,058	-	9,058	-	-	-	-	-	-
Team Nutrition	-	-	-	-	-	1,500	958	-	542
Title I 2015-2016	-	-	-	-	-	164,125	177,170	-	(13,045)
Title I 2013-2014	(10,793)	10,793	-	-	-	-	-	-	-
Title I 2014-2015	-	162,640	176,554	-	(13,914)	13,914	-	-	-
Project Peace	500	-	-	-	500	-	-	-	500
Cape Grant	26,663	-	1,497	-	25,166	-	2,514	-	22,652
21st Century Learning Center	-	-	-	-	-	-	-	-	-
Improving Teacher Quality, No Child Left, Title II, Part A	(13,524)	56,590	47,260	-	(4,194)	43,738	43,336	-	(3,792)
Rural Schools and Low Income Program - Pass Through State	-	-	-	-	-	5,419	5,883	-	(464)
Title II Part B Math and Science Partnership	(18,012)	155,971	142,587	-	(4,628)	167,193	162,565	-	-
Payroll Withholding and Clearing Account Funds	32,780	1,599,272	1,614,624	-	17,428	1,628,683	1,630,832	-	15,279
Totals	\$ 2,785,200	\$ 9,986,580	\$ 9,349,926	\$ -	\$ 3,421,854	\$ 9,645,957	\$ 10,428,041	\$ -	\$ 2,639,770

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

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
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 SHAKAMAK
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.

Temporary loans. Amounts received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Other receipts. 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.

Interfund loans. Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Other Financing Sources and Uses

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

Transfers in. 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.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of those funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2015 and 2016.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporation*

The School Corporation has entered into capital leases with Shakamak School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2015 and 2016 totaled \$44,250 and \$192,750, respectively.

Note 9. *Subsequent Events*

In November 2016, the School Corporation entered into a lease with the Shakamak School Building Corporation for renovations for a term of ten years. Annual lease rental payments range from \$30,500 to \$133,500 for total lease payments of \$2,310,000, with the first annual lease payment due on July 15, 2017.

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 186,223	\$ 201,273	\$ 96,186	\$ 135,709	\$ 72,995	\$ 101,407	\$ 1,041,166	\$ -	\$ -	\$ 155,939
Receipts:										
Local sources	19,067	360,410	178,012	459,888	342,914	61,775	-	-	-	100,024
Intermediate sources	75	-	-	-	-	-	-	-	-	-
State sources	5,527,815	-	-	-	-	-	-	-	-	2,778
Federal sources	-	-	-	-	-	-	-	-	-	257,287
Temporary loans	-	-	-	-	-	-	-	-	20,000	-
Other receipts	30,991	-	-	25,481	131	-	-	-	-	-
Total receipts	5,577,948	360,410	178,012	485,369	343,045	61,775	-	-	20,000	360,089
Disbursements:										
Instruction	3,984,239	-	-	-	-	-	-	-	-	-
Support services	1,476,601	-	-	387,941	288,370	62,000	-	-	-	-
Noninstructional services	61,182	-	-	-	-	-	-	-	-	315,203
Facilities acquisition and construction	-	-	-	33,099	-	-	-	-	-	-
Debt service	-	310,534	174,332	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	5,522,022	310,534	174,332	421,040	288,370	62,000	-	-	-	315,203
Excess (deficiency) of receipts over disbursements	55,926	49,876	3,680	64,329	54,675	(225)	-	-	20,000	44,886
Other financing sources (uses):										
Transfers in	-	8,153	4,620	11,311	7,765	1,742	30,000	-	-	-
Transfers out	-	(3,223)	(1,798)	(4,563)	(33,192)	(584)	-	-	-	-
Total other financing sources (uses)	-	4,930	2,822	6,748	(25,427)	1,158	30,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	55,926	54,806	6,502	71,077	29,248	933	30,000	-	20,000	44,886
Cash and investments - ending	\$ 242,149	\$ 256,079	\$ 102,688	\$ 206,786	\$ 102,243	\$ 102,340	\$ 1,071,166	\$ -	\$ 20,000	\$ 200,825

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

	Textbook Rental	Self- Insurance	Levy Excess	Early Intervention Grant	Library Donations	Boston Scientific Grant	Donations - Nurse Supplies	REMC Grant	Duke Energy Grant
Cash and investments - beginning	\$ 16,210	\$ 564,778	\$ 20,231	\$ -	\$ 1	\$ -	\$ 1,146	\$ -	\$ -
Receipts:									
Local sources	71,805	491,067	6	-	-	10,000	480	149	1,074
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	3,530	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	71,805	491,067	6	3,530	-	10,000	480	149	1,074
Disbursements:									
Instruction	-	-	-	3,530	-	3,000	-	-	913
Support services	77,328	-	-	-	1	-	738	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	121,340	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	77,328	121,340	-	3,530	1	3,000	738	-	913
Excess (deficiency) of receipts over disbursements	(5,523)	369,727	6	-	(1)	7,000	(258)	149	161
Other financing sources (uses):									
Transfers in	-	-	13,359	-	-	-	-	-	-
Transfers out	-	-	(33,590)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(20,231)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,523)	369,727	(20,225)	-	(1)	7,000	(258)	149	161
Cash and investments - ending	\$ 10,687	\$ 934,505	\$ 6	\$ -	\$ -	\$ 7,000	\$ 888	\$ 149	\$ 161

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

	Railroad Community Grant	Donation - Academics	Tobacco & Cessation Grant	Donation - Coca Cola	Donation - Art Department	Indiana Retired Teachers Association	Kindergarten Donation	Donations - Walmart	Adult and Continuing Education
Cash and investments - beginning	\$ -	\$ 500	\$ 100	\$ -	\$ 100	\$ -	\$ 1,280	\$ -	\$ 175
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	-	-
Disbursements:									
Instruction	-	-	-	-	100	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	100	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	(100)	-	-	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	(100)	-	-	-	-
Cash and investments - ending	\$ -	\$ 500	\$ 100	\$ -	\$ -	\$ -	\$ 1,280	\$ -	\$ 175

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

	Scholarships and Awards	Miscellaneous Programs	Teachers Tutoring Student	High Ability 2013-2014	High Ability 2014-2015	High Ability 2015-2016	Teacher Quality Improvement Program	Economic Education Mini Grant	Medicaid Reimbursement
Cash and investments - beginning	\$ 200	\$ 699	\$ -	\$ 9,304	\$ -	\$ -	\$ 17,811	\$ 149	\$ 31,555
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	27,135	-	-	-	54
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	27,135	-	-	-	54
Disbursements:									
Instruction	-	-	-	9,304	8,377	-	-	-	-
Support services	200	-	-	-	-	-	-	-	3,729
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	200	-	-	9,304	8,377	-	-	-	3,729
Excess (deficiency) of receipts over disbursements	(200)	-	-	(9,304)	18,758	-	-	-	(3,675)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(200)	-	-	(9,304)	18,758	-	-	-	(3,675)
Cash and investments - ending	\$ -	\$ 699	\$ -	\$ -	\$ 18,758	\$ -	\$ 17,811	\$ 149	\$ 27,880

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

	Secured Schools Safety Grant	School Technology	21st Century Scholars	ISTA Settlement	Excess PTRC Distributions	Project Lead the Way	Team Nutrition	Title I 2015-2016	Title I 2013-2014
Cash and investments - beginning	\$ (1,243)	\$ 46,763	\$ -	\$ 57,871	\$ -	\$ 9,058	\$ -	\$ -	\$ (10,793)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	1,243	3,669	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	10,793
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	4,454	-	-	-	-	-	-	-
Total receipts	1,243	8,123	-	-	-	-	-	-	10,793
Disbursements:									
Instruction	-	-	-	-	-	(942)	-	-	-
Support services	7,002	29,283	-	-	-	10,000	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	7,002	29,283	-	-	-	9,058	-	-	-
Excess (deficiency) of receipts over disbursements	(5,759)	(21,160)	-	-	-	(9,058)	-	-	10,793
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,759)	(21,160)	-	-	-	(9,058)	-	-	10,793
Cash and investments - ending	\$ (7,002)	\$ 25,603	\$ -	\$ 57,871	\$ -	\$ -	\$ -	\$ -	\$ -

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

	Title I 2014-2015	Project Peace	Cape Grant	21st Century Learning Center	Improving Teacher Quality, No Child Left, Title II, Part A	Rural Schools and Low Income Program - Pass Through State	Title II Part B Math and Science Partnership	Payroll Withholding and Clearing Account Funds	Totals
Cash and investments - beginning	\$ -	\$ 500	\$ 26,663	\$ -	\$ (13,524)	\$ -	\$ (18,012)	\$ 32,780	\$ 2,785,200
Receipts:									
Local sources	-	-	-	-	-	-	-	-	2,096,671
Intermediate sources	-	-	-	-	-	-	-	-	75
State sources	-	-	-	-	-	-	-	-	5,566,224
Federal sources	162,640	-	-	-	56,590	-	155,972	-	643,282
Temporary loans	-	-	-	-	-	-	-	-	20,000
Other receipts	-	-	-	-	-	-	(1)	1,599,272	1,660,328
Total receipts	162,640	-	-	-	56,590	-	155,971	1,599,272	9,986,580
Disbursements:									
Instruction	176,036	-	-	-	47,260	-	-	-	4,231,817
Support services	230	-	1,497	-	-	-	142,587	-	2,487,507
Noninstructional services	288	-	-	-	-	-	-	-	376,673
Facilities acquisition and construction	-	-	-	-	-	-	-	-	33,099
Debt service	-	-	-	-	-	-	-	-	484,866
Nonprogrammed charges	-	-	-	-	-	-	-	-	121,340
Interfund loans	-	-	-	-	-	-	-	1,614,624	1,614,624
Total disbursements	176,554	-	1,497	-	47,260	-	142,587	1,614,624	9,349,926
Excess (deficiency) of receipts over disbursements	(13,914)	-	(1,497)	-	9,330	-	13,384	(15,352)	636,654
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	76,950
Transfers out	-	-	-	-	-	-	-	-	(76,950)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,914)	-	(1,497)	-	9,330	-	13,384	(15,352)	636,654
Cash and investments - ending	\$ (13,914)	\$ 500	\$ 25,166	\$ -	\$ (4,194)	\$ -	\$ (4,628)	\$ 17,428	\$ 3,421,854

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 242,149	\$ 256,079	\$ 102,688	\$ 206,786	\$ 102,243	\$ 102,340	\$ 1,071,166	\$ -	\$ 20,000	\$ 200,825
Receipts:										
Local sources	3,917	406,169	179,407	433,672	317,104	66,791	8,517	-	-	96,114
Intermediate sources	289	-	-	-	-	-	-	-	-	-
State sources	5,289,286	-	-	-	-	-	-	-	-	2,949
Federal sources	-	-	-	-	-	-	-	-	-	209,982
Other receipts	39,302	-	-	600	896	-	-	-	-	-
Total receipts	5,332,794	406,169	179,407	434,272	318,000	66,791	8,517	-	-	309,045
Disbursements:										
Instruction	3,818,178	-	-	-	-	-	-	-	-	-
Support services	1,494,369	-	-	397,378	289,828	127,692	-	-	-	-
Noninstructional services	62,546	-	-	-	-	-	-	-	-	432,518
Facilities acquisition and construction	-	-	-	61,665	-	-	-	-	-	-
Debt service	-	458,598	174,314	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	5,375,093	458,598	174,314	459,043	289,828	127,692	-	-	-	432,518
Excess (deficiency) of receipts over disbursements	(42,299)	(52,429)	5,093	(24,771)	28,172	(60,901)	8,517	-	-	(123,473)
Other financing sources (uses):										
Transfers in	-	-	-	-	6	-	50,000	-	-	-
Transfers out	-	-	-	(20,000)	(30,000)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(20,000)	(29,994)	-	50,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(42,299)	(52,429)	5,093	(44,771)	(1,822)	(60,901)	58,517	-	-	(123,473)
Cash and investments - ending	\$ 199,850	\$ 203,650	\$ 107,781	\$ 162,015	\$ 100,421	\$ 41,439	\$ 1,129,683	\$ -	\$ 20,000	\$ 77,352

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
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 For the Year Ended June 30, 2016

	Textbook Rental	Self- Insurance	Levy Excess	Early Intervention Grant	Library Donations	Boston Scientific Grant	Donations - Nurse Supplies	REMC Grant	Duke Energy Grant
Cash and investments - beginning	\$ 10,687	\$ 934,505	\$ 6	\$ -	\$ -	\$ 7,000	\$ 888	\$ 149	\$ 161
Receipts:									
Local sources	84,929	409,777	-	-	-	-	350	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	84,929	409,777	-	-	-	-	350	-	-
Disbursements:									
Instruction	-	-	-	-	-	7,000	-	149	161
Support services	47,687	-	-	-	-	-	233	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	952,847	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	47,687	952,847	-	-	-	7,000	233	149	161
Excess (deficiency) of receipts over disbursements	37,242	(543,070)	-	-	-	(7,000)	117	(149)	(161)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(6)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(6)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	37,242	(543,070)	(6)	-	-	(7,000)	117	(149)	(161)
Cash and investments - ending	\$ 47,929	\$ 391,435	\$ -	\$ -	\$ -	\$ -	\$ 1,005	\$ -	\$ -

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

	Railroad Community Grant	Donation - Academics	Tobacco & Cessation Grant	Donation - Coca Cola	Donation - Art Department	Indiana Retired Teachers Association	Kindergarten Donation	Donations - Walmart	Adult and Continuing Education
Cash and investments - beginning	\$ -	\$ 500	\$ 100	\$ -	\$ -	\$ -	\$ 1,280	\$ -	\$ 175
Receipts:									
Local sources	7,000	-	-	7,500	-	200	-	2,000	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	7,000	-	-	7,500	-	200	-	2,000	-
Disbursements:									
Instruction	-	-	100	2,164	-	198	385	-	-
Support services	7,000	-	-	588	-	-	-	2,000	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	7,000	-	100	2,752	-	198	385	2,000	-
Excess (deficiency) of receipts over disbursements	-	-	(100)	4,748	-	2	(385)	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(100)	4,748	-	2	(385)	-	-
Cash and investments - ending	\$ -	\$ 500	\$ -	\$ 4,748	\$ -	\$ 2	\$ 895	\$ -	\$ 175

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

	Scholarships and Awards	Miscellaneous Programs	Teachers Tutoring Student	High Ability 2013-2014	High Ability 2014-2015	High Ability 2015-2016	Teacher Quality Improvement Program	Economic Education Mini Grant	Medicaid Reimbursement
Cash and investments - beginning	\$ -	\$ 699	\$ -	\$ -	\$ 18,758	\$ -	\$ 17,811	\$ 149	\$ 27,880
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	28,178	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	28,178	-	-	-
Disbursements:									
Instruction	-	-	-	-	3,526	22,013	-	149	-
Support services	-	-	-	-	15,232	-	2,497	-	3,348
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	18,758	22,013	2,497	149	3,348
Excess (deficiency) of receipts over disbursements	-	-	-	-	(18,758)	6,165	(2,497)	(149)	(3,348)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	(18,758)	6,165	(2,497)	(149)	(3,348)
Cash and investments - ending	\$ -	\$ 699	\$ -	\$ -	\$ -	\$ 6,165	\$ 15,314	\$ -	\$ 24,532

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

	Secured Schools Safety Grant	School Technology	21st Century Scholars	ISTA Settlement	Excess PTRC Distributions	Project Lead the Way	Team Nutrition	Title I 2015-2016	Title I 2013-2014
Cash and investments - beginning	\$ (7,002)	\$ 25,603	\$ -	\$ 57,871	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	9,678	6,804	1,000	-	-	-	1,500	-	-
Federal sources	-	-	-	-	-	-	-	164,125	-
Other receipts	-	8,974	-	-	-	-	-	-	-
Total receipts	9,678	15,778	1,000	-	-	-	1,500	164,125	-
Disbursements:									
Instruction	-	-	-	-	-	-	958	176,957	-
Support services	12,100	7,320	1,000	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	213	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	12,100	7,320	1,000	-	-	-	958	177,170	-
Excess (deficiency) of receipts over disbursements	(2,422)	8,458	-	-	-	-	542	(13,045)	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,422)	8,458	-	-	-	-	542	(13,045)	-
Cash and investments - ending	\$ (9,424)	\$ 34,061	\$ -	\$ 57,871	\$ -	\$ -	\$ 542	\$ (13,045)	\$ -

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

	Title I 2014-2015	Project Peace	Cape Grant	21st Century Learning Center	Improving Teacher Quality, No Child Left, Title II, Part A	Rural Schools and Low Income Program - Pass Through State	Title II Part B Math and Science Partnership	Payroll Withholding and Clearing Account Funds	Totals
Cash and investments - beginning	\$ (13,914)	\$ 500	\$ 25,166	\$ -	\$ (4,194)	\$ -	\$ (4,628)	\$ 17,428	\$ 3,421,854
Receipts:									
Local sources	-	-	-	-	-	-	-	-	2,023,447
Intermediate sources	-	-	-	-	-	-	-	-	289
State sources	-	-	-	-	-	-	-	-	5,339,395
Federal sources	13,914	-	-	-	43,738	5,419	166,781	-	603,959
Other receipts	-	-	-	-	-	-	412	1,628,683	1,678,867
Total receipts	13,914	-	-	-	43,738	5,419	167,193	1,628,683	9,645,957
Disbursements:									
Instruction	-	-	-	-	43,336	5,419	-	-	4,080,693
Support services	-	-	2,514	-	-	464	162,565	-	2,573,815
Noninstructional services	-	-	-	-	-	-	-	-	495,277
Facilities acquisition and construction	-	-	-	-	-	-	-	-	61,665
Debt service	-	-	-	-	-	-	-	-	632,912
Nonprogrammed charges	-	-	-	-	-	-	-	-	952,847
Interfund loans	-	-	-	-	-	-	-	1,630,832	1,630,832
Total disbursements	-	-	2,514	-	43,336	5,883	162,565	1,630,832	10,428,041
Excess (deficiency) of receipts over disbursements	13,914	-	(2,514)	-	402	(464)	4,628	(2,149)	(782,084)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	50,006
Transfers out	-	-	-	-	-	-	-	-	(50,006)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,914	-	(2,514)	-	402	(464)	4,628	(2,149)	(782,084)
Cash and investments - ending	\$ -	\$ 500	\$ 22,652	\$ -	\$ (3,792)	\$ (464)	\$ -	\$ 15,279	\$ 2,639,770

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Shakamak School Building Corporation	Roof and HVAC System Replacement	\$ 88,500	5/1/2011	7/1/2025
Shakamak School Building Corporation	Roof and HVAC System Replacement 2015	<u>36,000</u>	8/10/2015	1/15/2026
Total governmental activities		<u>124,500</u>		
Total of annual lease payments		<u>\$ 124,500</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Retirement/Severance	\$ 1,325,000	\$ 174,126
Notes and loans payable	1995 Construction Addition	69,378	70,765
Notes and loans payable	2002 Construction Addition and Renovation	<u>628,168</u>	<u>98,290</u>
Total governmental activities		<u>2,022,546</u>	<u>343,181</u>
Totals		<u>\$ 2,022,546</u>	<u>\$ 343,181</u>

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
 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	\$ 68,000
Buildings	12,575,959
Improvements other than buildings	2,377,713
Machinery, equipment, and vehicles	1,796,907
Books and other	<u>200,000</u>
Total governmental activities	<u>17,018,579</u>
Total capital assets	<u>\$ 17,018,579</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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 SHAKAMAK, GREENE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan School District of Shakamak'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 Child Nutrition Cluster regarding Program Income. 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)

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 the Child Nutrition Cluster regarding Program Income, 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.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs 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 2016-004, 2016-005, 2016-006, 2016-008, 2016-009, and 2016-010. 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.

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 and significant deficiencies.

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

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

September 4, 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.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
 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
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 14/15	\$ -	\$ 60,137	\$ -	\$ -
School Breakfast Program			FY 15/16	-	-	-	63,234
Total - School Breakfast Program				-	60,137	-	63,234
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 14/15	-	197,150	-	-
School Lunch Program			FY 15/16	-	-	-	200,307
School Lunch Program - Commodities			FY 14/15	-	21,713	-	-
School Lunch Program - Commodities			FY 15/16	-	-	-	20,255
Total - National School Lunch Program				-	218,863	-	220,562
Total - Child Nutrition Cluster				-	279,000	-	283,796
Total - Department of Agriculture				-	279,000	-	283,796
<u>Department of Education</u>							
Title I Grants to Local Educational Agencies							
Title I FY 2013-14	Indiana Department of Education	84.010	14-2960	-	10,793	-	-
Title I FY 2014-15			15-2960	-	162,639	-	13,914
Title I FY 2015-2016			16-2960	-	-	-	164,125
Total - Title I Grants to Local Educational Agencies				-	173,432	-	178,039
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
			14213-24-PN01	-	756	-	-
			14214-24-PN01	-	80,136	-	605
			14215-24-PN01	-	131,729	-	44,052
			99914-24-PN01	-	-	-	1,247
			14216-24-PN01	-	-	-	166,468
Total - Special Education_Grants to States				-	212,621	-	212,372

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
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
Special Education_Preschool Grants	Indiana Department of Education	84.173	45714-24-PN01	-	6,272	-	-
			45715-24-PN01	-	4,841	-	8,377
			45716-24-PN01	-	-	-	6,256
Total - Special Education_Preschool Grants				-	11,113	-	14,633
Total - Special Education Cluster (IDEA)				-	223,734	-	227,005
Mathematics and Science Partnerships	Indiana Department of Education	84.366					
Math/Sci. Year 1			A58-4-14CI-1865	-	90,833	-	-
Math/Sci. Year 2			A58-5-15CI-2288	-	65,138	-	118,714
Math/Sci Year 3			A58-6-16CI-3292	-	-	-	48,067
Total - Mathematics and Science Partnerships				-	155,971	-	166,781
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
Title IIA CSR 13-15			13-2960	-	17,484	-	-
Title IIA CSR 14-16			14-2960	-	39,106	-	32,668
Title IIA CSR 13-15			15-2960	-	-	-	11,070
Total - Improving Teacher Quality State Grants				-	56,590	-	43,738
Rural Education	Indiana Department of Education	84.358					
			700S358B150014	-	-	-	5,419
Total - Rural Education				-	-	-	5,419
Total - Department of Education				-	609,727	-	620,982
Total federal awards expended				\$ -	\$ 888,727	\$ -	\$ 904,778

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

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weakness identified?	yes
Significant deficiency identified?	no
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	Opinion Issued
	Child Nutrition Cluster	Qualified
84.010	Title I Grants to Local Educational Agencies Special Education Cluster (IDEA)	Unmodified
84.366	Mathematics and Science Partnerships	Unmodified

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

Repeat Finding

This is a repeat finding from the immediately prior audit related to cash reconcilements and receipts. The prior audit finding number was 2014-001.

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

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 school lunch cash reconcilements and 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).

Receipts

One employee was responsible for issuing, recording, and reconciling receipts and disbursements for the School Lunch fund maintained in an Extracurricular Account fund. There was no segregation of duties, including oversight, review, or an approval process over the cash reconcilements and the recording of receipt transactions.

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 systematic 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 system of internal control that segregated key functions.

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

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's management establish a system of internal controls to ensure that financial transactions are properly recorded and reported and that federal expenditures are properly reported on the SEFA.

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: Mathematics and Science Partnerships - Reporting

Federal Agency: Department of Education

Federal Program: Mathematics and Science Partnerships

CFDA Number: 84.366

Federal Award Numbers and Years (or Other Identifying Numbers): A58-4-14CI-1865,
A58-5-15CI-2288,
A58-6-16CI-3292

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

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 School Corporation did not design or implement adequate controls, policies, and procedures to ensure that the required reports were accurately prepared. One employee prepared and submitted the required reports for the program. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the information submitted was complete and accurate.

Context

The lack of controls was a systemic issue, which occurred 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 SHAKAMAK
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). . . ."

Cause

The School Corporation's management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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 related to the grant agreement and 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.

FINDING 2016-003

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

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-002.

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 Program Income compliance requirement.

There were no procedures established to ensure that the receipts of the Child Nutrition Cluster programs were handled properly in accordance with the Program Income compliance requirement.

The School Corporation established a single fund, the School Lunch fund, to account for all activity of the food service programs. The School Corporation also maintained individual accounts for students who prepaid for meals. When prepaid funds were received, they were receipted into the School Lunch fund as revenue, with no distinction between the prepaid accounts and the program income generated from the food service programs.

Context

The lack of controls was a systemic problem throughout the audit period. The School Corporation's procedures for recording revenues in the School Lunch fund prevented the ability to determine whether the School Corporation was in compliance with the Program Income compliance requirement.

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 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."

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

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

- (12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured program income was properly identified.

Effect

The failure to establish an effective internal control that would have ensured that program income was properly identified prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure program income will be properly identified.

Views of Responsible Officials

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

FINDING 2016-004

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.533, 10.555
Federal Award Number and Year (or Other Identifying Number): FY 14/15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

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

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation had not designed or implemented an effective internal control system to ensure that appropriate certifications or other documentation of personal expenses for time worked on the School Breakfast Program and National School Lunch Program were in compliance with program requirements. Required Semi-Annual Certifications were not presented for audit.

Context

The lack of controls and noncompliance were systemic issues for fiscal year 2014-2015.

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. . . ."

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

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles 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 Allowable Costs/Cost Principles compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
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.

FINDING 2016-005

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-24-PN01, 14214-24-PN01,
14215-24-PN01, 99914-24-PN01,
14216-24-PN01, 45714-24-PN01,
45715-24-PN01, 45716-24-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member school corporation of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grants. There was no oversight of the Cooperative by the School Corporation. Each member school corporation was ultimately responsible for ensuring compliance with the requirements.

The School Corporation had not established an internal control system to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. The School Corporation did not keep the necessary documentation related to time and effort reporting. For those employees that were paid entirely from the special education program, the School Corporation did not complete Semi-Annual Certifications.

Context

There were no Semi-Annual Certifications completed during 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 SHAKAMAK
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). . . ."

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

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

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Allowable Costs/Cost Principles compliance requirement related to time and effort reporting.

Effect

The failure to establish an effective internal control system enabled noncompliance to occur. Noncompliance with 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 SHAKAMAK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with the Allowable Costs/Cost Principles 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 2016-006

Subject: Special Education Cluster (IDEA) - Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-24-PN01, 14214-24-PN01,
14215-24-PN01, 14216-24-PN01,
99914-24-PN01, 45714-24-PN01,
45715-24-PN01, 45716-24-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member school corporation of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school corporation was ultimately responsible for ensuring compliance with the requirements.

An effective internal control system was not in place to ensure compliance with requirements related to the grant agreement and the suspension and debarment requirements.

The School Corporation did not have procedures in place to verify that vendors were not suspended or debarred, or otherwise excluded from or ineligible to participate in a federal assistance program prior to entering into a contract with them.

Context

The Cooperative did not verify that vendors were not suspended or debarred prior to awarding the contracts with all applicable vendors for the entire audit period.

Criteria

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

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

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
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). . . ."

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

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

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 and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the suspension and debarment 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 SHAKAMAK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2016-007

Subject: School Breakfast Program and National School Lunch Program - Cash Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), National School Lunch Program - 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 14/15, FY 15/16

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Repeat Finding

This was a repeat finding from the immediately prior audit regarding Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The prior audit finding numbers were 2014-002 and 2014-003.

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 following compliance requirements: Cash Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity.

Cash Management

The School Corporation had not designed or implemented an adequate internal control system to ensure that the School Lunch fund monthly cash balances (net cash resources) did not exceed the three months average. There was no oversight, review, or monitoring of the cash balances (net cash resources).

Reporting

Monthly Sponsor Claims (claims for reimbursement) and Annual Financial Reports were completed by one individual without the oversight or review by another individual.

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

The verification of free and reduced price applications was completed by one individual without the oversight or review by another individual.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

An effective internal control system, such as a review or approval process, was not in place to ensure the completion and accuracy of the Paid Lunch Equity calculation.

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

Context

The lack of properly designed and implemented controls occurred throughout the entire audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management has not developed and implemented an effective system of internal controls that would have ensured compliance with the grant agreement and 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.

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 compliance requirements listed above.

Views of Responsible Officials

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

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

FINDING 2016-008

Subject: Mathematics and Science Partnerships - Special Tests and Provisions - Participation of Private School Children

Federal Agency: Department of Education

Federal Program: Mathematics and Science Partnerships

CFDA Number: 84.366

Federal Award Numbers and Years (or Other Identifying Numbers): A58-4-14CI-1865,
A58-5-15CI-2288,
A58-6-16CI-3292

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Participation of Private School Children

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 - Participation of Private School Children compliance requirement.

The School Corporation had not designed or implemented adequate controls, policies, and procedures to ensure that Special Tests and Provisions - Participation of Private School Children requirements were followed. The School Corporation did not offer the private school in the district the opportunity to participate in the grant.

Context

The lack of controls and noncompliance were systemic issues, which occurred 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 SHAKAMAK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 299.6 states in part:

"(a) *General.* An agency or consortium of agencies receiving funds under an applicable program listed in paragraph (b) of this section, after timely and meaningful consultation with appropriate private school officials (in accordance with statute), shall provide special educational services or other benefits under this subpart on an equitable basis to eligible children who are enrolled in private elementary and secondary schools, and to their teachers and other educational personnel.

(b) *Applicable programs.* This subpart is applicable to the following programs:

- (1) Part C of title I (Migrant Education).
- (2) Title II (Professional Development) . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Participation of Private School Children requirements.

Effect

The failure to establish an effective internal control system enabled 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 with the grant agreement and the Special Tests and Provisions - Participation of Private School Children 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: 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, Other Matters

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

Repeat Finding

This is a repeat finding from the immediately prior audit related to suspension and debarment. The prior audit finding number was 2014-004.

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. Procedures were not established to ensure that the School Corporation followed procurement guidelines or verified whether vendors were suspended or debarred.

Procurement

The School Corporation did not have a procurement policy that complied with 2 CFR 200.320. Bids or quotes for small purchases were not obtained.

Suspension and Debarment

There were no procedures performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

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

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented 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. . . ."

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

(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 \$3,000 (or \$2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act). 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. . . .

(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."

Cause

The School Corporation had not established and implemented effective internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled 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.

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

Recommendation

We recommended that the School Corporation 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 2016-010

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): 14-2960, 15-2960, 16-2960
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Assessment System Security
Audit Findings: Material Weakness, Other Matters

Condition

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

The School Corporation Assessment System Security Policy did not specify that testing materials should not be delivered to school buildings more than one week in advance of test administration, nor did it state that teachers and other school staff members are not allowed access to secure materials more than 24 hours in advance of test administration. In addition, the School Corporation did not keep the sign-in sheets from the training or maintain Indiana Testing Security and Integrity Agreements for any individuals who administered, handled, or had access to secure test materials.

Context

This was a systemic issue, which occurred throughout the entire audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
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). . . ."

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. . . ."

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's management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

Effect

The failure to establish an effective internal control system enabled 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 with the Special Tests and Provisions - Assessment System Security compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

DANIEL NOEL, SUPERINTENDENT
JENNIFER E. BARCUS, TREASURER
BRENDA E. CULLER, PAYROLL-DEPUTY TREASURER
VICKI MCCRACKEN, SECRETARY



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Jennifer Barcus, Treasurer; Tammy Street, Cafeteria Supervisor
Contact Phone Number: 812-665-3550

Status of Audit Finding: In Process

Controls for the bank reconciliations were implemented. The school is in the process of establishing controls for the School Lunch Fund transactions and reporting.

Finding 2014-002

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture
Contact Person Responsible for Corrective Action: Jennifer Barcus, Treasurer; Tammy Street, Cafeteria Supervisor
Contact Phone Number: 812-665-3550

Status of Audit Finding: In Process

The school is in the process of establishing controls for reporting, and program income.

Finding 2014-003

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture
Contact Person Responsible for Corrective Action: Jennifer Barcus, Treasurer; Tammy Street, Cafeteria Supervisor
Contact Phone Number: 812-665-3550

Status of Audit Finding: In Process

The school is in the process of establishing controls for verification of free and reduced price applications.

Finding 2014-004

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture

Contact Person Responsible for Corrective Action: Jennifer Barcus, Treasurer; Tammy Street, Cafeteria Supervisor
Contact Phone Number: 812-665-3550

Status of Audit Finding: In Process

The school is in the process of establishing controls for suspension and debarment.

Finding 2014-005

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Education
Contact Person Responsible for Corrective Action: Jennifer Barcus, Treasurer; Daniel Noel, Superintendent
Contact Phone Number: 812-665-3550

Status of Audit Finding: Corrected

Finding 2014-006

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Education
Contact Person Responsible for Corrective Action: Jennifer Barcus, Treasurer; Daniel Noel, Superintendent
Contact Phone Number: 812-665-3550

Status of Audit Finding: Corrected

Finding 2014-007

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Education
Contact Person Responsible for Corrective Action: Jennifer Barcus, Treasurer; Daniel Noel, Superintendent
Contact Phone Number: 812-665-3550

Status of Audit Finding: Corrected

Jennifer Barcus
(Signature)

Treasurer
(Title)

8/23/18
(Date)

DANIEL NOEL, SUPERINTENDENT
JENNIFER E. BARCUS, TREASURER
BRENDA E. CULLER, PAYROLL-DEPUTY TREASURER
VICKI MCCRACKEN, SECRETARY



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CORRECTIVE ACTION PLAN

Finding 2016-001

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Daniel Noel, Superintendent; Tammy Street, Cafeteria Supervisor
Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of Segregation of Duties): The cafeteria supervisor and another cafeteria employee review and approve both cash register totals. The cafeteria supervisor prepares and makes deposits, and another cafeteria employee reviews and approves the deposits. The cafeteria supervisor prepares disbursements. The high school principal approves all disbursements. The cafeteria supervisor reconciles the monthly bank statement, and the corporation treasurer reviews and approves. The cafeteria supervisor prepares bi-annual financial reports, and the corporation treasurer, as well as the president of the board of trustees, reviews and approves. The cafeteria supervisor prepares year-end financial reports, which the corporation treasurer reviews, and the board of trustees approve.
2. (Lack of Internal Controls): The corporation treasurer prepares the Schedule of Expenditures of Federal Awards (SEFA). The superintendent reviews and approves the SEFA, prior to submission.

Anticipated Date of Completion:

1. In July 2016, the corporation Treasurer began reviewing and approving the monthly bank reconcilements. The review and approval for cash register totals by the cafeteria supervisor and another cafeteria employee began in May 2015.
2. In August 2016, the superintendent began reviewing and approving the SEFA prepared by the corporation treasurer.

Finding 2016-002

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Daniel Noel, Superintendent

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. This grant has been completed.

Anticipated Date of Completion:

1. This grant was completed in September 2016.

Finding 2016-003

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Tammy Street, Cafeteria Supervisor

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of procedures): The cafeteria supervisor will use a prepaid food clearing account for transfers in and out. This transfer will be done on a daily basis.

Anticipated Date of Completion:

1. The corporation treasurer and the cafeteria supervisor implemented the prepaid food clearing account in August 2017.
2. Reconciliations of the prepaid food clearing account will be done on a monthly basis, beginning August 2018.

Finding 2016-004

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Tammy Street, Cafeteria Supervisor

Contact Phone Number: 812-665-3550

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of Internal Controls): Semi-annual certifications will be completed for the program, by cafeteria supervisor and reviewed by corporation treasurer.

Anticipated Date of Completion:

1. Semi-annual certifications will be completed for the program, beginning with the June-December 2018 reporting period.

Finding 2016-005

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Daniel Noel, Superintendent

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of Internal Controls - Semi-Annual Certifications): The corporation treasurer will obtain semi-annual certifications from the cooperative. The corporation treasurer and the superintendent will review.

Anticipated Date of Completion:

1. The cooperative began completing semi-annual certifications in June 2017.

Finding 2016-006

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Daniel Noel, Superintendent

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of internal controls): The school corporation will work with the cooperative, to verify the vendors using the SAM website, to ensure that there is no suspension or debarment.

Anticipated Date of Completion:

1. The cooperative began verifying vendors on the SAM website in June 2017.

Finding 2016-007

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Tammy Street – Cafeteria Supervisor

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of Internal Controls – Cash Management): The cafeteria supervisor and the corporation treasurer will review the monthly cash balances in the School Lunch Fund, noting if the amount exceeds three months average expenditures.
2. (Lack of Internal Controls – Reporting): The cafeteria supervisor will prepare the monthly claim for reimbursement, and the corporation treasurer will review and approve. The cafeteria supervisor will prepare the annual financial report, and the corporation treasurer will review and approve.
3. (Lack of Internal Controls – Special Tests/Verification of Applications): The cafeteria supervisor will complete the verification of free and reduced applications, with another cafeteria employee reviewing the verifications.
4. (Lack of Internal Controls – Paid Lunch Equity): The cafeteria supervisor will complete the paid lunch equity calculation, and the corporation treasurer will review and approve.

Anticipated Date of Completion:

1. The cafeteria supervisor and the corporation treasurer began reviewing the monthly cash balance in School Lunch Fund, in August 2018.
2. The corporation treasurer began reviewing and approving the monthly claim reimbursements and the annual financial report, prepared by the cafeteria supervisor, in August 2018.
3. The cafeteria supervisor and another cafeteria employee began reviewing the verification of free and reduced applications, in August 2016.
4. The corporation treasurer began reviewing and approving the paid lunch equity calculation, prepared by the cafeteria supervisor, in June 2018.

Finding 2016-008

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Daniel Noel, Superintendent

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. This grant has been completed.

Anticipated Date of Completion:

1. This grant was completed in September 2016.

Finding 2016-009

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Tammy Street, Cafeteria Supervisor

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of Internal Controls – Procurement): A procurement policy will be implemented, in order to meet procurement compliance requirements.
2. (Lack of Procedures – Suspension and Debarment): Procedures will be implemented to verify that vendors were not suspended or debarred from participation in federal programs, before entering into a contract.

Anticipated Date of Completion:

1. A procurement policy was implemented in September 2017, in order to meet procurement compliance requirements.
2. Suspension and debarment procedures were implemented in June 2018.

Finding 2016-010

Contact person responsible for corrective action plan: Jennifer Barcus, Treasurer; Daniel Noel, Superintendent; Jeff Gambill, Elementary Principal/Title I Director

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of Internal Controls): The school corporation will update the Assessment System Security Policy to specify that testing materials should not be delivered to school buildings more than one week in advance of test administration. It will also state that teachers and other school staff members are not allowed access to secure materials more than 24 hours in advance of test administration.
2. The school corporation will keep sign in sheets from the training or maintain Indiana Testing Security and Integrity Agreements for any individuals who administered, handled, or had access to secure test materials.

Anticipated Date of Completion:

1. The school corporation will begin updating the Assessment System Policy immediately.
2. The school corporation will begin keeping sign in sheets immediately.

Jennifer Barcus, Treasurer
Signature, Title

8/23/18
Date

David A. Noel Supt.
Signature, Title

8/27/2018
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/>.