

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF WARREN COUNTY
WARREN COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/22/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nanette Ware	07-01-16 to 06-30-19
Superintendent of Schools	Ralph Shrader	07-01-16 to 06-30-19
President of the School Board	Sharon Grady Dr. Gary Greenwood Dan Duchemin Steve Magner	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Metropolitan School District of Warren County (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, 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, 2016 to June 30, 2018.

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, 2016 to June 30, 2018, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 12, 2019, 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

February 12, 2019



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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 WARREN COUNTY, WARREN COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Metropolitan School District of Warren County (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated February 12, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, that we consider to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002.

Metropolitan School District of Warren County's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

February 12, 2019

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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 WARREN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 1,688,946	\$ 7,996,254	\$ 7,849,909	\$ 365,372	\$ 2,200,663	\$ 8,750,701	\$ 8,290,979	\$ 171,714	\$ 2,832,099
Debt Service	784,052	1,621,716	1,259,262	(273,286)	873,220	1,986,306	1,563,578	(153,732)	1,142,216
Capital Projects	689,261	1,393,247	1,448,429	10,553	644,632	1,383,162	1,015,486	(428,753)	583,555
School Transportation	161,972	981,735	738,177	(191,727)	213,803	990,998	818,100	(156,219)	230,482
School Bus Replacement	-	308,010	223,273	(84,737)	-	319,746	179,000	(98,386)	42,360
Rainy Day	738,920	-	79,105	276,464	936,279	-	431,259	707,866	1,212,886
Construction	(346,983)	1,240,505	893,522	-	-	-	777,910	-	(777,910)
Storm Damage 2017	-	750,000	66,138	-	683,862	1,689,152	2,375,213	-	(2,199)
School Lunch	131,233	758,882	767,108	-	123,007	727,898	743,801	-	107,104
Textbook Rental	137,359	172,654	229,185	-	80,828	170,590	183,992	-	67,426
Educational License Plates	1,428	186	-	-	1,614	169	-	-	1,783
Early Intervention Grant	4,231	9,285	13,516	-	-	6,676	6,676	-	-
Lilly Comp. Counseling Grant	-	30,000	8,578	-	21,422	-	21,422	-	-
Adult Education Grant Year 5	(12,287)	12,287	-	-	-	-	-	-	-
Adult Education Grant Year 6	-	156,813	166,838	-	(10,025)	10,025	-	-	-
Adult Education Grant 17/18	-	-	-	-	-	126,201	166,838	-	(40,637)
PAC Fund	2,088	555	-	-	2,643	250	441	-	2,452
St. Vincent AHA	1,057	-	-	-	1,057	-	-	-	1,057
Seeger Scholarship Trust	426,758	98,220	75,850	-	449,128	108,565	57,250	-	500,443
Steinbaugh Scholarship Trust	22,161	5,623	5,650	-	22,134	7,163	5,950	-	23,347
Credit Card Payment	-	43,187	43,187	-	-	45,513	44,194	-	1,319
WCCF Continuing Education Grant	-	-	-	-	-	5,000	5,000	-	-
Cape Grant Interest Fund	100,594	66,150	62,112	-	104,632	66,150	76,633	-	94,149
County Drug Grant Funds	7,343	1,587	2,125	-	6,805	3,300	473	-	9,632
Ridenour Fund	6,007	122,492	16,926	-	111,573	7,389	106,352	-	12,610
Harmon Fund	102,391	40,000	115,452	-	26,939	40,000	4,692	-	62,247
Martindale Fund	45,263	56,889	42,487	-	59,665	52,316	40,121	-	71,860
Formative Assessment	5,582	11,950	17,532	-	-	14,754	14,754	-	-
Instruction Support	-	-	-	-	-	-	-	-	-
Gifted/Talented 16/17	-	29,384	29,384	-	-	-	-	-	-
High Ability Grant 2017-2018	-	-	-	-	-	29,607	29,607	-	-
Common School Tech. Adv. Year 6	(7,653)	279,647	271,994	-	-	284,936	286,974	-	(2,038)
Secured Schools Safety Grant	-	30,000	30,000	-	-	-	40,000	-	(40,000)
Extra-Curricular Activities	-	13,358	13,358	-	-	15,465	15,465	-	-
School Technology	1,944	8,468	6,805	-	3,607	13,673	16,350	-	930
Career and Technical Performance Grant	-	5,628	280	(5,348)	-	9,677	4,864	-	4,813
Miscellaneous Programs	108,750	21,953	17,036	-	113,667	54,298	49,066	-	118,899
Excess PTRC Distributions	69,078	-	-	(69,078)	-	-	-	-	-
Title I	-	125,225	125,225	-	-	129,246	129,246	-	-
Special Federal	-	296,639	296,639	-	-	309,599	309,599	-	-
Education Pre-School Handicap	-	10,200	10,200	-	-	10,250	10,250	-	-
Medicaid Reimbursement - Federal	4,499	18,780	-	(14,311)	8,968	18,358	-	(17,483)	9,843
ITQ, Enhanced Education Through Technology, Title II, Part D	-	33,267	33,267	-	-	33,234	33,234	-	-
Payroll Clearing	-	2,059,623	2,059,623	-	-	2,036,574	2,036,574	-	-
Totals	\$ 4,873,994	\$ 18,810,399	\$ 17,018,172	\$ 13,902	\$ 6,680,123	\$ 19,456,941	\$ 19,891,343	\$ 25,007	\$ 6,270,728

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

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

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.

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

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.

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of reimbursable grants and new construction expenditures prior to the issuance of bonds.

Note 8. Holding Corporations

The School Corporation has entered into a capital lease with the Warren County School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2017 and 2018, totaled \$441,000 each year.

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

The School Corporation has entered into capital leases with the Seeger School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2017 and 2018, totaled \$681,500 and \$1,020,500, respectively.

Note 9. Subsequent Events

The Seeger School Building Corporation approved \$4,880,000 Ad Valorem Property Tax First Mortgage Bonds, Series 2018, which closed on July 31, 2018. The project encompasses the construction of a bus garage and maintenance facility, including site improvements and renovation of and improvements to Williamsport Elementary School and Warren Central Elementary School, and to pay the capitalized interest and issuance expenses. A hearing for the proposed project was held on March 13, 2018. The School Board subsequently approved on May 8, 2018, a resolution authorizing execution of lease. Construction timeline from start to completion is October 2018 to August 2019.

Note 10. Other Postemployment Benefits

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

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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 WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction
Cash and investments - beginning	\$ 1,688,946	\$ 784,052	\$ 689,261	\$ 161,972	\$ -	\$ 738,920	\$ (346,983)
Receipts:							
Local sources	86,484	1,621,716	1,393,247	977,955	308,010	-	1,240,505
Intermediate sources	2,103	-	-	-	-	-	-
State sources	7,907,667	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	3,780	-	-	-
Total receipts	7,996,254	1,621,716	1,393,247	981,735	308,010	-	1,240,505
Disbursements:							
Instruction	5,153,187	-	-	-	-	-	-
Support services	2,513,092	-	540,568	738,177	223,273	-	893,522
Noninstructional services	183,630	-	-	-	-	-	-
Facilities acquisition and construction	-	-	907,861	-	-	79,105	-
Debt service	-	1,259,262	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	7,849,909	1,259,262	1,448,429	738,177	223,273	79,105	893,522
Excess (deficiency) of receipts over disbursements	146,345	362,454	(55,182)	243,558	84,737	(79,105)	346,983
Other financing sources (uses):							
Sale of capital assets	3,349	-	10,553	-	-	-	-
Transfers in	362,023	-	-	-	41,266	317,730	-
Transfers out	-	(273,286)	-	(191,727)	(126,003)	(41,266)	-
Total other financing sources (uses)	365,372	(273,286)	10,553	(191,727)	(84,737)	276,464	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	511,717	89,168	(44,629)	51,831	-	197,359	346,983
Cash and investments - ending	\$ 2,200,663	\$ 873,220	\$ 644,632	\$ 213,803	\$ -	\$ 936,279	\$ -

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Storm Damage 2017	School Lunch	Textbook Rental	Educational License Plates	Early Intervention Grant	Lilly Comp. Counseling Grant	Adult Education Grant Year 5
Cash and investments - beginning	\$ -	\$ 131,233	\$ 137,359	\$ 1,428	\$ 4,231	\$ -	\$ (12,287)
Receipts:							
Local sources	-	374,566	131,926	-	-	30,000	-
Intermediate sources	-	-	-	186	-	-	-
State sources	-	8,486	40,728	-	9,285	-	-
Federal sources	-	375,830	-	-	-	-	12,287
Other receipts	750,000	-	-	-	-	-	-
Total receipts	750,000	758,882	172,654	186	9,285	30,000	12,287
Disbursements:							
Instruction	-	-	-	-	13,516	-	-
Support services	-	631	229,185	-	-	8,578	-
Noninstructional services	-	766,477	-	-	-	-	-
Facilities acquisition and construction	66,138	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	66,138	767,108	229,185	-	13,516	8,578	-
Excess (deficiency) of receipts over disbursements	683,862	(8,226)	(56,531)	186	(4,231)	21,422	12,287
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	683,862	(8,226)	(56,531)	186	(4,231)	21,422	12,287
Cash and investments - ending	\$ 683,862	\$ 123,007	\$ 80,828	\$ 1,614	\$ -	\$ 21,422	\$ -

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Adult Education Grant Year 6	Adult Education Grant 17/18	PAC Fund	St. Vincent AHA	Seeger Scholarship Trust	Steinbaugh Scholarship Trust	Credit Card Payment
Cash and investments - beginning	\$ -	\$ -	\$ 2,088	\$ 1,057	\$ 426,758	\$ 22,161	\$ -
Receipts:							
Local sources	-	-	555	-	77,612	5,623	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	156,813	-	-	-	-	-	-
Other receipts	-	-	-	-	20,608	-	43,187
Total receipts	156,813	-	555	-	98,220	5,623	43,187
Disbursements:							
Instruction	166,838	-	-	-	-	-	-
Support services	-	-	-	-	250	250	43,187
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	75,600	5,400	-
Total disbursements	166,838	-	-	-	75,850	5,650	43,187
Excess (deficiency) of receipts over disbursements	(10,025)	-	555	-	22,370	(27)	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,025)	-	555	-	22,370	(27)	-
Cash and investments - ending	\$ (10,025)	\$ -	\$ 2,643	\$ 1,057	\$ 449,128	\$ 22,134	\$ -

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	WCCF Continuing Education Grant	Cape Grant Interest Fund	County Drug Grant Funds	Ridenour Fund	Harmon Fund	Martindale Fund
Cash and investments - beginning	\$ -	\$ 100,594	\$ 7,343	\$ 6,007	\$ 102,391	\$ 45,263
Receipts:						
Local sources	-	66,150	1,587	2,416	40,000	36,820
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	120,076	-	20,069
Total receipts	-	66,150	1,587	122,492	40,000	56,889
Disbursements:						
Instruction	-	-	-	-	73,154	33,431
Support services	-	104	2,125	16,926	42,298	9,056
Noninstructional services	-	59,646	-	-	-	-
Facilities acquisition and construction	-	2,362	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	62,112	2,125	16,926	115,452	42,487
Excess (deficiency) of receipts over disbursements	-	4,038	(538)	105,566	(75,452)	14,402
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	4,038	(538)	105,566	(75,452)	14,402
Cash and investments - ending	\$ -	\$ 104,632	\$ 6,805	\$ 111,573	\$ 26,939	\$ 59,665

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Formative Assessment	Instruction Support	Gifted/ Talented 16/17	High Ability Grant 2017-2018	Common School Tech Adv. Year 6	Secured Schools Safety Grant
Cash and investments - beginning	\$ 5,582	\$ -	\$ -	\$ -	\$ (7,653)	\$ -
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	11,950	-	29,384	-	279,647	30,000
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	11,950	-	29,384	-	279,647	30,000
Disbursements:						
Instruction	17,532	-	29,384	-	-	-
Support services	-	-	-	-	-	30,000
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	271,994	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	17,532	-	29,384	-	271,994	30,000
Excess (deficiency) of receipts over disbursements	(5,582)	-	-	-	7,653	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,582)	-	-	-	7,653	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Extra- Curricular Activities	School Technology	Career and Technical Performance Grant	Miscellaneous Programs	Excess PTRC Distributions	Title I
Cash and investments - beginning	\$ -	\$ 1,944	\$ -	\$ 108,750	\$ 69,078	\$ -
Receipts:						
Local sources	13,358	-	-	21,953	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	8,468	5,628	-	-	-
Federal sources	-	-	-	-	-	125,225
Other receipts	-	-	-	-	-	-
Total receipts	<u>13,358</u>	<u>8,468</u>	<u>5,628</u>	<u>21,953</u>	<u>-</u>	<u>125,225</u>
Disbursements:						
Instruction	-	-	280	17,036	-	124,225
Support services	-	-	-	-	-	1,000
Noninstructional services	13,358	-	-	-	-	-
Facilities acquisition and construction	-	6,805	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>13,358</u>	<u>6,805</u>	<u>280</u>	<u>17,036</u>	<u>-</u>	<u>125,225</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>1,663</u>	<u>5,348</u>	<u>4,917</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(5,348)	-	(69,078)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(5,348)</u>	<u>-</u>	<u>(69,078)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>1,663</u>	<u>-</u>	<u>4,917</u>	<u>(69,078)</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 3,607</u>	<u>\$ -</u>	<u>\$ 113,667</u>	<u>\$ -</u>	<u>\$ -</u>

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Special Federal	Education Pre-School Handicap	Medicaid Reimbursement - Federal	ITQ, Enhanced Education Through Technology, Title II, Part D	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 4,499	\$ -	\$ -	\$ 4,873,994
Receipts:						
Local sources	-	-	-	-	-	6,430,483
Intermediate sources	-	-	-	-	-	2,289
State sources	-	-	-	-	-	8,331,243
Federal sources	296,639	10,200	18,780	33,267	-	1,029,041
Other receipts	-	-	-	-	2,059,623	3,017,343
Total receipts	296,639	10,200	18,780	33,267	2,059,623	18,810,399
Disbursements:						
Instruction	296,639	-	-	32,267	-	5,957,489
Support services	-	10,200	-	1,000	-	5,303,422
Noninstructional services	-	-	-	-	-	1,023,111
Facilities acquisition and construction	-	-	-	-	-	1,334,265
Debt service	-	-	-	-	-	1,259,262
Nonprogrammed charges	-	-	-	-	2,059,623	2,140,623
Total disbursements	296,639	10,200	-	33,267	2,059,623	17,018,172
Excess (deficiency) of receipts over disbursements	-	-	18,780	-	-	1,792,227
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	13,902
Transfers in	-	-	-	-	-	721,019
Transfers out	-	-	(14,311)	-	-	(721,019)
Total other financing sources (uses)	-	-	(14,311)	-	-	13,902
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	4,469	-	-	1,806,129
Cash and investments - ending	\$ -	\$ -	\$ 8,968	\$ -	\$ -	\$ 6,680,123

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction
Cash and investments - beginning	\$ 2,200,663	\$ 873,220	\$ 644,632	\$ 213,803	\$ -	\$ 936,279	\$ -
Receipts:							
Local sources	123,111	1,986,306	1,383,162	987,968	319,746	-	-
Intermediate sources	526	-	-	-	-	-	-
State sources	8,625,911	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	1,153	-	-	3,030	-	-	-
Total receipts	8,750,701	1,986,306	1,383,162	990,998	319,746	-	-
Disbursements:							
Instruction	5,227,973	-	-	-	-	-	-
Support services	2,856,893	-	287,977	818,100	179,000	-	777,910
Noninstructional services	206,113	-	-	-	-	-	-
Facilities acquisition and construction	-	-	727,509	-	-	431,259	-
Debt service	-	1,563,578	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	8,290,979	1,563,578	1,015,486	818,100	179,000	431,259	777,910
Excess (deficiency) of receipts over disbursements	459,722	422,728	367,676	172,898	140,746	(431,259)	(777,910)
Other financing sources (uses):							
Sale of capital assets	500	-	24,507	-	-	-	-
Transfers in	171,214	-	-	-	-	707,866	-
Transfers out	-	(153,732)	(453,260)	(156,219)	(98,386)	-	-
Total other financing sources (uses)	171,714	(153,732)	(428,753)	(156,219)	(98,386)	707,866	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	631,436	268,996	(61,077)	16,679	42,360	276,607	(777,910)
Cash and investments - ending	\$ 2,832,099	\$ 1,142,216	\$ 583,555	\$ 230,482	\$ 42,360	\$ 1,212,886	\$ (777,910)

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Storm Damage 2017	School Lunch	Textbook Rental	Educational License Plates	Early Intervention Grant	Lilly Comp. Counseling Grant	Adult Education Grant Year 5
Cash and investments - beginning	\$ 683,862	\$ 123,007	\$ 80,828	\$ 1,614	\$ -	\$ 21,422	\$ -
Receipts:							
Local sources	22,900	303,949	124,632	-	-	-	-
Intermediate sources	-	-	-	169	-	-	-
State sources	-	8,446	45,958	-	6,676	-	-
Federal sources	-	415,503	-	-	-	-	-
Other receipts	1,666,252	-	-	-	-	-	-
Total receipts	1,689,152	727,898	170,590	169	6,676	-	-
Disbursements:							
Instruction	-	-	-	-	6,676	-	-
Support services	-	333	183,992	-	-	21,422	-
Noninstructional services	-	743,468	-	-	-	-	-
Facilities acquisition and construction	2,375,213	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	2,375,213	743,801	183,992	-	6,676	21,422	-
Excess (deficiency) of receipts over disbursements	(686,061)	(15,903)	(13,402)	169	-	(21,422)	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(686,061)	(15,903)	(13,402)	169	-	(21,422)	-
Cash and investments - ending	\$ (2,199)	\$ 107,104	\$ 67,426	\$ 1,783	\$ -	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Adult Education Grant Year 6	Adult Education Grant 17/18	PAC Fund	St. Vincent AHA	Seeger Scholarship Trust	Steinbaugh Scholarship Trust	Credit Card Payment
Cash and investments - beginning	\$ (10,025)	\$ -	\$ 2,643	\$ 1,057	\$ 449,128	\$ 22,134	\$ -
Receipts:							
Local sources	-	-	250	-	78,989	6,174	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	10,025	126,201	-	-	-	-	-
Other receipts	-	-	-	-	29,576	989	45,513
Total receipts	10,025	126,201	250	-	108,565	7,163	45,513
Disbursements:							
Instruction	-	166,838	-	-	-	-	-
Support services	-	-	-	-	250	250	44,194
Noninstructional services	-	-	441	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	57,000	5,700	-
Total disbursements	-	166,838	441	-	57,250	5,950	44,194
Excess (deficiency) of receipts over disbursements	10,025	(40,637)	(191)	-	51,315	1,213	1,319
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,025	(40,637)	(191)	-	51,315	1,213	1,319
Cash and investments - ending	\$ -	\$ (40,637)	\$ 2,452	\$ 1,057	\$ 500,443	\$ 23,347	\$ 1,319

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
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 For the Year Ended June 30, 2018

	WCCF Continuing Education Grant	Cape Grant Interest Fund	County Drug Grant Funds	Ridenour Fund	Harmon Fund	Martindale Fund
Cash and investments - beginning	\$ -	\$ 104,632	\$ 6,805	\$ 111,573	\$ 26,939	\$ 59,665
Receipts:						
Local sources	-	66,150	3,300	7,389	40,000	36,820
Intermediate sources	-	-	-	-	-	-
State sources	5,000	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	-	-	15,496
Total receipts	5,000	66,150	3,300	7,389	40,000	52,316
Disbursements:						
Instruction	5,000	-	-	-	4,692	35,065
Support services	-	74	473	2,948	-	5,056
Noninstructional services	-	74,345	-	-	-	-
Facilities acquisition and construction	-	2,214	-	103,404	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	5,000	76,633	473	106,352	4,692	40,121
Excess (deficiency) of receipts over disbursements	-	(10,483)	2,827	(98,963)	35,308	12,195
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(10,483)	2,827	(98,963)	35,308	12,195
Cash and investments - ending	\$ -	\$ 94,149	\$ 9,632	\$ 12,610	\$ 62,247	\$ 71,860

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Formative Assessment	Instruction Support	Gifted/ Talented 16/17	High Ability Grant 2017-2018	Common School Tech Adv. Year 6	Secured Schools Safety Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	14,754	-	-	29,607	284,936	-
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	14,754	-	-	29,607	284,936	-
Disbursements:						
Instruction	14,754	-	-	29,607	-	-
Support services	-	-	-	-	-	40,000
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	286,974	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	14,754	-	-	29,607	286,974	40,000
Excess (deficiency) of receipts over disbursements	-	-	-	-	(2,038)	(40,000)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	(2,038)	(40,000)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ (2,038)	\$ (40,000)

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Extra- Curricular Activities	School Technology	Career and Technical Performance Grant	Miscellaneous Programs	Excess PTRC Distributions	Title I
Cash and investments - beginning	\$ -	\$ 3,607	\$ -	\$ 113,667	\$ -	\$ -
Receipts:						
Local sources	15,465	-	-	54,298	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	11,010	9,677	-	-	-
Federal sources	-	-	-	-	-	129,246
Other receipts	-	2,663	-	-	-	-
Total receipts	15,465	13,673	9,677	54,298	-	129,246
Disbursements:						
Instruction	-	-	4,864	49,066	-	128,246
Support services	-	-	-	-	-	1,000
Noninstructional services	15,465	-	-	-	-	-
Facilities acquisition and construction	-	16,350	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	15,465	16,350	4,864	49,066	-	129,246
Excess (deficiency) of receipts over disbursements	-	(2,677)	4,813	5,232	-	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,677)	4,813	5,232	-	-
Cash and investments - ending	\$ -	\$ 930	\$ 4,813	\$ 118,899	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Special Federal	Education Pre-School Handicap	Medicaid Reimbursement - Federal	ITQ, Enhanced Education Through Technology, Title II, Part D	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 8,968	\$ -	\$ -	\$ 6,680,123
Receipts:						
Local sources	-	-	-	-	-	5,560,609
Intermediate sources	-	-	-	-	-	695
State sources	-	-	-	-	-	9,041,975
Federal sources	309,599	10,250	18,358	33,234	-	1,052,416
Other receipts	-	-	-	-	2,036,574	3,801,246
Total receipts	<u>309,599</u>	<u>10,250</u>	<u>18,358</u>	<u>33,234</u>	<u>2,036,574</u>	<u>19,456,941</u>
Disbursements:						
Instruction	309,599	-	-	32,434	-	6,014,814
Support services	-	10,250	-	800	-	5,230,922
Noninstructional services	-	-	-	-	-	1,039,832
Facilities acquisition and construction	-	-	-	-	-	3,942,923
Debt service	-	-	-	-	-	1,563,578
Nonprogrammed charges	-	-	-	-	2,036,574	2,099,274
Total disbursements	<u>309,599</u>	<u>10,250</u>	<u>-</u>	<u>33,234</u>	<u>2,036,574</u>	<u>19,891,343</u>
Excess (deficiency) of receipts over disbursements	-	-	18,358	-	-	(434,402)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	25,007
Transfers in	-	-	-	-	-	879,080
Transfers out	-	-	(17,483)	-	-	(879,080)
Total other financing sources (uses)	-	-	(17,483)	-	-	25,007
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	875	-	-	(409,395)
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,270,728</u>

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METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 584,688</u>	<u>\$ 710,000</u>

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 SCHEDULE OF LEASES AND DEBT
 June 30, 2018

Description of Debt		Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Type	Purpose			
Governmental activities:				
Warren County School Building Corporation	Refinance of 2003 bonds	\$ 220,500	06/30/2013	12/31/2019
Seeger School Building Corporation	Refinance and HVAC Project	450,000	12/31/2016	06/30/2021
Seeger School Building Corporation	Athletic Facility Improvements	<u>103,000</u>	06/30/2018	12/31/2022
Total		<u>\$ 773,500</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Renovation/Improvements to Elementaries	<u>\$ 1,840,000</u>	<u>\$ 127,238</u>

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 760,000
Infrastructure	1,905,288
Buildings	69,846,229
Improvements other than buildings	3,193,481
Machinery, equipment, and vehicles	<u>4,806,311</u>
Total capital assets	<u>\$ 80,511,309</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for the Major Federal Program

We have audited the Metropolitan School District of Warren County's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2016 to June 30, 2018. The School Corporation's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. Except as discussed below, 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 items 2018-004 and 2018-006 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Eligibility and 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 THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

As described in item 2018-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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 Eligibility and Program Income and the non-compliance 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 Child Nutrition Cluster for the period of July 1, 2016 to June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-007. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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


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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003, 2018-004, 2018-005, 2018-006, and 2018-007, that we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 12, 2019

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 WARREN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY 16-17	\$ -	\$ 84,714	\$ -	\$ -
School Breakfast			FY 17-18	-	-	-	98,986
				<u>-</u>	<u>84,714</u>	<u>-</u>	<u>98,986</u>
Total - School Breakfast Program				<u>-</u>	<u>84,714</u>	<u>-</u>	<u>98,986</u>
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch			FY 16-17	-	291,116	-	-
School Lunch			FY 17-18	-	-	-	291,322
School Lunch Commodities			FY 16-17	-	51,634	-	-
School Lunch Commodities			FY 17-18	-	-	-	51,572
				<u>-</u>	<u>342,750</u>	<u>-</u>	<u>342,894</u>
Total - National School Lunch Program				<u>-</u>	<u>342,750</u>	<u>-</u>	<u>342,894</u>
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service			FY17-18	-	-	-	25,195
				<u>-</u>	<u>-</u>	<u>-</u>	<u>25,195</u>
Total - Summer Food Service Program for Children				<u>-</u>	<u>-</u>	<u>-</u>	<u>25,195</u>
Total - Child Nutrition Cluster				<u>-</u>	<u>427,464</u>	<u>-</u>	<u>467,075</u>
Total - Department of Agriculture				<u>-</u>	<u>427,464</u>	<u>-</u>	<u>467,075</u>
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education			14217-083-PN01	-	296,639	-	-
Special Education			14218-083-PN01	-	-	-	309,599
				<u>-</u>	<u>296,639</u>	<u>-</u>	<u>309,599</u>
Total - Special Education Grants to States				<u>-</u>	<u>296,639</u>	<u>-</u>	<u>309,599</u>

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Ed Preschool			45717-083-PN01	-	10,200	-	-
Special Ed Preschool			45718-083-PN01	-	-	-	10,250
Total - Special Education Preschool Grants				-	10,200	-	10,250
Total - Special Education Cluster (IDEA)				-	306,839	-	319,849
Adult Education - Basic Grants to States	Indiana Department of Education	84.002					
Adult Education			C17-AE5-109	-	57,561	-	-
Adult Education			C18-AE5-109	-	-	-	126,201
Total - Adult Education - Basic Grants to States				-	57,561	-	126,201
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			17-8115	-	125,225	-	-
Title I			18-8115	-	-	-	129,246
Total - Title I Grants to Local Educational Agencies				-	125,225	-	129,246
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			FY2016	-	33,267	-	-
Title II Part A			FY2017	-	-	-	33,234
Total - Supporting Effective Instruction State Grants				-	33,267	-	33,234
Total - Department of Education				-	522,892	-	608,530
Total federal awards expended				\$ -	\$ 950,356	\$ -	\$ 1,075,605

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

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

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

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

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-001.

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. There was a lack of segregation of duties, as the School Corporation had not separated incompatible activities related to receipts.

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

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

Context

The lack of adequate internal controls was a systemic issue throughout the audit period; however, corrective action to resolve this issue was initiated in May 2018.

Criteria

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

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

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

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

Cause

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

Effect

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

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure that financial transactions are properly recorded and reported.

Views of Responsible Officials

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

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

FINDING 2018-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-001.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's SEFA.

Context

Due to the lack of effective internal controls, the federal expenditures reported for the National School Lunch Program omitted the commodities. This omission understated the federal expenditures by \$51,634 and \$51,572 for the 2016-2017 and 2017-2018 school years, respectively.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

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

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Cash Management, 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 is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2016-002 and 2016-007.

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 compliance requirements listed above.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

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

Cash Management - (School Breakfast Program and National School Lunch Program only)

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

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) - (School Breakfast Program and National School Lunch Program only)

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

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

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

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

Context

The lack of effective controls was a systemic issue throughout the audit period; however, corrective action regarding the Cash Management compliance requirement was initiated in May 2018.

Criteria

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 control to ensure compliance with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the 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 WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2018-004

Subject: School Breakfast Program, National School Lunch Program - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-003.

Condition

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

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

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

Context

The lack of controls and lack of documentation regarding compliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

7 CFR 245.5(a) states in part:

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

2 CFR 200.333 states in part:

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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

FINDING 2018-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-004.

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.

Procurement

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

A local procurement policy had not been implemented by the School Corporation.

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

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

Suspension and Debarment

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

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

Context

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

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

Criteria

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, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . .

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

2 CFR 200.320 states in part:

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

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

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

(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;

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

- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive 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."

2 CFR 180.300 states:

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

You do this by:

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance 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.

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

FINDING 2018-006

Subject: School Breakfast Program, National School Lunch Program - 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 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-005.

Condition

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

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

The School Corporation was unable to provide evidence that they complied with the program income requirements regarding proper recording of income from a-la-carte revenue. Monthly cash sales reports were not presented for audit.

Context

The lack of controls and the lack of documentation regarding compliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

7 CFR 210.14(c) states:

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

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

2 CFR 200.302(b)(3) states:

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

Cause

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

Effect

The failure to retain or provide appropriate supporting documentation 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 that documentation will be maintained and made available for audit related to the Program Income compliance requirement.

Views of Responsible Officials

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

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

FINDING 2018-007

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-006.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The Annual Financial Reports (AFRs), Monthly Sponsor Claims for Reimbursement, and School Food Authority (SFA) Verification Collection Reports were prepared and submitted by one individual, without a documented oversight, review, or approval process.

The AFRs submitted did not agree with the School Corporation's underlying financial records. Income and expenses for fiscal year 2016-2017 were overstated by \$15,658 and understated by \$1,326, respectively. Income and expenses for fiscal year 2017-2018 were overstated by \$17,767.

Context

The lack of controls was a systemic issue that affected all reports submitted during the audit period. Neither of the two AFRs submitted during the audit period agreed with the underlying financial records.

Criteria

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

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

2 CFR 200.302(b)(3) states:

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

Cause

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the Reporting 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 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.

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AUDITEE-PREPARED DOCUMENTS

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

Metropolitan School District of Warren County

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding initially occurred: 2016

Pass-Through Entity: N/A

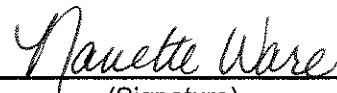
Contact Person Responsible for Corrective Action: Nanette Ware

Contact Phone Number: 765-762-3364

Status of Audit Finding:

In May 2018 the Payroll Clerk began reviewing all deposits and initialing the deposit slip after the Treasurer Makes the deposit at the bank. The Superintendent reviews and initials the receipt edit.


In August 2018 the Superintendent reviewed and initialed the Gateway submission.



(Signature)



(Title)



(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-002

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kim Swaney/Ralph Shrader
Contact Phone Number: 765-762-3364

Status of Audit Finding:

In May 2018 the Superintendent created a spreadsheet to monitor the three month average of expenditures. This spreadsheet is shared with the Hot Lunch Secretaries and Head Cook who review and initial the report.

In July 2018 the Head Cook initials the invoice or packing slip, submits to the Lunch Secretary (ECA Treasurer at Williamsport/Pine Village). The ECA Treasurer processes the claim and the Head Cook reviews again. At Williamsport and Pine Village the Principal reviews and initials the final payments.

Janette Ware

(Signature)

Treasurer

(Title)

1/17/19

(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-003

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kim Swaney
Contact Phone Number: 765-762-3364

Status of Audit Finding:

In July 2018 the criteria for determining the eligibility of children for free and reduced price meals was put on the Corporation Website and individual school Social Media. The criteria went out in newsletters. Applications for free and reduced were available at registration.

Nanette Ware
(Signature)

Treasurer
(Title)

1/17/19
(Date)

Metropolitan School District of Warren County

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-004

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kim Swaney
Contact Phone Number: 765-762-3364

Status of Audit Finding:

Beginning July 2018, Lunch Secretary ran SAMS report on all Vendors and printed. Lunch Secretary reviews and initials. In June 2018 bids were submitted for milk and produce as a legal bid in local newspaper and Lafayette newspaper. School Board approves the bids. This documentation is maintained by the Lunch Secretary.

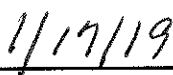
Quotes were obtained for purchases/services over \$10,000 (changed from \$3500). The Lunch Secretary and Head Cook review and initial.



(Signature)



(Title)



(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-005

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kim Swaney/Phil Halsema
Contact Phone Number: 765-762-3364

Status of Audit Finding:

In August 2018 Building Secretaries and Head Cooks began printing the monthly income report, reviewing and initialing. The Building Secretaries then input the data into a spreadsheet that Director of Technology created to balance each month. This report is then reviewed and initialed by the Building Secretary.

In July 2018 a fund was created for prepaid student balance on accounts. Once a month a report is generated from Harmony software, balance of the goods purchased are transferred into the Cafeteria Fund. The transfer is approved by the Lunch Secretary, Head Cooks and ECA Treasurers.

Yonette Ware
(Signature)

Treasurer
(Title)

1/17/19
(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-006

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kim Swaney/Phil Halsema
Contact Phone Number: 765-762-3364

Status of Audit Finding:

July 2018 the Lunch Secretary began generating monthly reports from Harmony software for the Head Cook and Director of Technology to review and initial. This data is then imported into a spreadsheet created by the Director of Technology which is reviewed by the Lunch Secretary and Head Cook.


The Head Cook reviews the SFA Verification Collection Report before it is submitted by the Lunch Secretary.



(Signature)



(Title)



(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-007

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kim Swaney
Contact Phone Number: 765-762-3364

Status of Audit Finding:

In July 2018 the Paid Lunch Equity tool was prepared by the Lunch Secretary, reviewed and initialed by the Head Cook and Building Principal. The Lunch Secretary then submitted the report.

Donette Wise
(Signature)

Treasurer
(Title)

1/17/19
(Date)

Metropolitan School District of Warren County

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Mr. James P. Beyer, Asst. Superintendent
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-008

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Pam Larson/Rob Beckett
Contact Phone Number: 765-762-3364

Status of Audit Finding:

Immediately in May 2018 the Title I Coordinator and Building Principals began to review and approve all time & effort logs.

The review of student eligibility is now reviewed by the Title I Coordinator, Corporation Curriculum Specialist, Building Principal and classroom teacher.

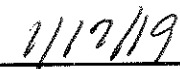
In May 2018 the School Corporation developed a method of documentation regarding the reason a student left the High School cohort and will review at the building level. The guidance department and building administrators will review and sign to knowledge of the withdrawal.



(Signature)



(Title)



(Date)

Metropolitan School District of Warren County

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-009

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Pam Larson/Ralph Shrader
Contact Phone Number: 765-762-3364

Status of Audit Finding:


A policy was adopted by the School Corporation on May 8, 2018 to ensure equivalence among schools.



(Signature)



(Title)



(Date)

Metropolitan School District of Warren County

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

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

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-010

Fiscal year in which the finding initially occurred: 2016

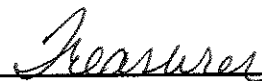
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Jim Beyer
Contact Phone Number: 765-762-3364

Status of Audit Finding:

A policy was adopted by the School Corporation on May 8, 2018 to develop a system of internal controls to ensure compliance with the Special Tests and Provisions - Assessment System Security compliance requirement. The School Corporation has maintained Indiana Testing and Integrity Agreements agreements for any individual who administered, handled or had access to secure test materials at both district and school levels.



(Signature)



(Title)



(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-001

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

Views of the Responsible Officials: We, the School Corporation, agree with this finding.

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

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

Anticipated Completion Date: This process began in May 2018.

Nanette Ware
(signature)

Treasurer
(title)

2/12/2019
(date)

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CORRECTIVE ACTION PLAN

FINDING 2018-002

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

Views of the Responsible Officials: We, the School Corporation, agree with this finding.

Description of Correction Action Plan: School Corporation Treasurer will confirm the commodity figures with the Lunch Secretary for the Indiana Gateway for Government Units financial reporting systems, which is the source of the School Corporation's SEFA.

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

Anticipated Completion Date: Reviewing of reports began in August 2018. Confirming commodity figures will begin August 2019.

Nanette Ware
(signature)

Treasurer
(title)

2/12/2019
(date)

Kim Swaney
(signature)

Lunch Secretary
(title)

2-12-19
(date)

Metropolitan School District of Warren County

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CORRECTIVE ACTION PLAN

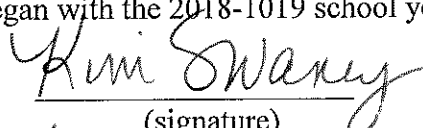

FINDING 2018-003

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

Views of the Responsible Officials: We, the School corporation, agree with this finding.

Description of Correction Action Plan: M.S.D. of Warren County will document the use of a review/oversight of disbursements from program funds prior to payment. Head cooks will approve claims for payment which will be submitted to the Lunch Secretary for payment. Claims will be prepared by the Lunch Secretary and then processed by the School Treasurer. Each individual will initial or sign showing approval of disbursements. Building principals will serve as the third layer of oversight if buildings do not have a secretary responsible for hot lunch. M.S.D. of Warren County will monitor lunch fund monthly cash balances (net cash resources) to assure that three months' average expenditures are in compliance with Cash Management requirements. Monthly balances are currently reviewed by the Superintendent of Schools and will be tracked using a spreadsheet. This spreadsheet will be shared with head cooks and the Lunch Secretary to verify accuracy which will be indicated by the initialing of the financial documentation on a quarterly basis. M.S.D. of Warren County will document the effective system of internal controls related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and the Special Tests and Provisions - Paid Lunch Equity compliance requirements. The Lunch Secretary currently completes the verifications of free and reduced price applications and performs the calculations for paid lunch equity. These calculations are reviewed by the Building Treasurer and Building Principal who approves the applications and ensures their accuracy. Individuals will initial or sign to indicate review and approval.

Anticipated Completion Date: A training of all school secretaries and building administrators took place at the conclusion of the 2017-2018 school year. The financial tracking has already begun. Initialing of applications began with the 2018-2019 school year.

 (signature)	 (signature)
Lunch Secretary (title)	Superintendent (title)
2-12-19 (date)	2/12/19 (date)

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jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2018-004

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

Views of the Responsible Officials: We, the School Corporation, agree with this finding.

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

Anticipated Completion Date: For the 2018-2019 school year documentation is being initialed and saved for orientation for the upcoming school year.

Kim Swaney
(signature)
Lunch Secretary
(title)
2-12-19
(date)

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

CORRECTIVE ACTION PLAN

FINDING 2018-005


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

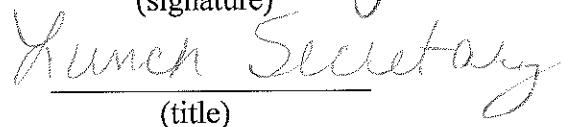
Views of the Responsible Officials: We, the School Corporation, agree with this finding.

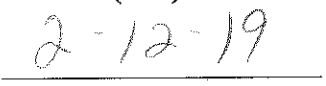
Description of Correction Action Plan: M.S.D. of Warren County will assure that internal controls are in place to ensure that the purchasing methods used comply with procurement procedures or with applicable state and local requirements. The School Corporation will award bids and enter contracts as approved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

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

Anticipated Completion Date: These procedures began with the 2018-2019 school year.



(signature)


(title)


(date)

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

CORRECTIVE ACTION PLAN

FINDING 2018-006


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

Views of the Responsible Officials: We, the School Corporation, agree with this finding.

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

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

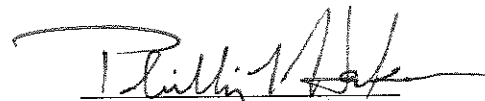
Anticipated Completion Date: This process began with the 2018-2019 school year.


(signature)

Lunch Secretary
(title)

2-12-19

(date)


(signature)

DIRECTOR OF TECHNOLOGY
(title)

2/12/2019

(date)

Metropolitan School District of Warren County

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

CORRECTIVE ACTION PLAN

FINDING 2018-007

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

Views of the Responsible Officials: We, the School Corporation, agree with this finding.

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

Anticipated Completion Date: Process began with the 2018/2019 school year.

<u>Kim Swaney</u> (signature)	<u>Phil Halsema</u> (signature)
<u>Lunch Secretary</u> (title)	<u>DIRECTOR OF TECHNOLOGY</u> (title)
<u>2-12-19</u> (date)	<u>2/12/2019</u> (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/>.