

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 STEUBEN COUNTY
STEUBEN COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/02/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Monte VanGessel	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Brent A. Wilson	07-01-16 to 06-30-19
President of the School Board	Kevin Beard Brad Gardner LeAnn Boots	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-19



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Metropolitan School District of Steuben 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 9, 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

April 9, 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 STEUBEN COUNTY, STEUBEN 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 Steuben 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 April 9, 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 item 2018-001, 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 2018-001.

Metropolitan School District of Steuben 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

April 9, 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.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN 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	\$ 1,374,745	\$ 18,271,496	\$ 17,905,243	\$ (15,903)	\$ 1,725,095	\$ 18,237,165	\$ 17,860,774	\$ 33,425	\$ 2,134,911
Debt Service	1,358,496	2,841,448	2,695,612	-	1,504,332	3,220,330	3,220,378	-	1,504,284
Retirement/Severance Bond Debt Service	239,120	364,011	394,180	-	208,951	383,916	388,923	-	203,944
Capital Projects	1,549,787	2,869,070	3,028,126	-	1,390,731	2,931,056	2,838,016	-	1,483,771
School Transportation	978,447	2,010,269	1,602,318	-	1,386,398	2,071,177	1,766,701	-	1,690,874
School Bus Replacement	396,009	418,221	623,684	-	190,546	424,812	198,646	-	416,712
Rainy Day	2,424,508	-	-	-	2,424,508	-	100,000	-	2,324,508
Post-Retirement/Severance Future Benefits	34,431	-	-	-	34,431	-	-	-	34,431
Construction	1,797,787	-	1,407,825	-	389,962	-	363,346	-	26,616
Construction 2018	-	-	-	-	-	-	51,567	2,072,559	2,020,992
School Lunch	304,559	1,373,633	1,347,423	-	330,769	1,350,208	1,327,980	(50,000)	302,997
Textbook Rental	565,410	305,344	314,243	-	556,511	300,592	348,958	-	508,145
Child Care Program	7,847	77,943	72,417	-	13,373	68,356	74,119	-	7,610
Educational License Plates	3,419	319	930	-	2,808	375	860	-	2,323
Alternative Education 2015-16	(14,119)	43,923	29,804	-	-	-	-	-	-
Alternative Education 2016-17	-	117,637	183,580	-	(65,943)	100,292	34,348	-	1
Alternative Education 2017-18	-	-	-	-	-	127,074	167,093	-	(40,019)
Miscellaneous Donations	5,509	8,150	6,483	-	7,176	22,112	4,472	-	24,816
Dekko/Arts Partnership Grant	-	2,500	2,497	-	3	-	3	-	-
EOC Positive Behavior Rewards	-	-	-	-	-	100	-	-	100
Miscellaneous Grants	5,338	4,750	4,704	-	5,384	3,555	7,007	-	1,932
FIST Grants	-	2,573	1,611	-	962	2,710	1,279	-	2,393
Extra-Curricular Activities	60	-	-	-	60	-	-	-	60
Wellness	23,964	2,563	25,107	-	1,420	-	73	-	1,347
Scholarships and Awards	150	-	-	-	150	-	-	-	150
Miscellaneous Programs	3,690	(2,675)	69	-	946	-	-	-	946
Coca-Cola Sponsorship	4,250	5,500	-	-	9,750	2,750	1,451	-	11,049
Formative Assessment	-	36,601	36,601	-	-	33,318	33,318	-	-
High Ability 2015-16	6,164	-	6,164	-	-	-	-	-	-
High Ability 2016-17	-	36,337	30,344	-	5,993	-	5,992	-	1

METROPOLITAN SCHOOL DISTRICT OF STEUBEN 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
High Ability 2017-18	-	-	-	-	-	35,983	26,683	-	9,300
Computer Consortium/Ed Tech Advance	-	277,395	277,395	-	-	276,887	276,887	-	-
Early Intervention 2017	-	12,196	6,249	-	5,947	-	5,946	-	1
Early Intervention	-	-	-	-	-	12,029	6,743	-	5,286
Secured Schools Safety Grant	(15,484)	27,010	65,583	40,533	(13,524)	30,099	47,345	16,576	(14,194)
Non-English Speaking Programs 2015-16	2,956	-	2,956	-	-	-	-	-	-
Non-English Speaking Programs 2016-17	-	19,498	12,967	-	6,531	-	6,531	-	-
Non-English Speaking Programs 2017-18	-	-	-	-	-	20,250	10,489	-	9,761
School Technology	120,675	31,673	2,880	-	149,468	21,201	66,037	-	104,632
Tech Breakage Assessments	18,141	38,128	21,151	-	35,118	36,342	46,783	-	24,677
Career and Technical Performance Grant	-	15,375	4,272	-	11,103	13,418	20,461	-	4,060
Senator David Ford Technology	-	-	4,209	-	(4,209)	73,261	69,052	-	-
Title I 2015-16	(33,403)	93,776	60,373	-	-	-	-	-	-
Title I 2016-17	-	293,001	333,150	-	(40,149)	84,540	44,378	(13)	-
Title I 2017-18	-	-	-	-	-	281,943	316,453	13	(34,497)
Title IV, Part A SSAE	-	-	-	-	-	750	750	-	-
Title II 2015-16	(6,561)	30,248	23,687	-	-	-	-	-	-
Title II 2016-17	-	53,078	62,155	-	(9,077)	37,318	28,241	-	-
Title II 2017-18	-	-	-	-	-	66,345	76,586	-	(10,241)
Title II 2018-19	-	-	-	-	-	1,528	118	-	1,410
Title III 2015-16	(1,341)	4,300	2,959	-	-	-	-	-	-
Title III 2016-17	-	12,543	14,740	-	(2,197)	3,685	1,488	-	-
Title III 2017-18	-	-	-	-	-	10,953	12,259	-	(1,306)
Payroll Clearing	22,086	5,235,333	5,234,305	-	23,114	5,115,406	5,132,663	-	5,857
Totals	\$ 11,176,640	\$ 34,933,167	\$ 35,847,996	\$ 24,630	\$ 10,286,441	\$ 35,401,836	\$ 34,991,197	\$ 2,072,560	\$ 12,769,640

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

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

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

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

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

METROPOLITAN SCHOOL DISTRICT OF STEUBEN 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.

C. Additional Pension Plans

The School Corporation also contributes to additional pension plans unique to the School Corporation. Information regarding these plans may be obtained from the School Corporation.

Note 7. Negative Receipts

The financial statement contains a receipt which appears as a negative entry. This is the result of correction of errors from prior periods. The errors made in the prior period were corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative receipt was shown in the current period.

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

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2017 or 2018.

Note 9. Holding Corporation

The School Corporation has entered into a capital lease with M.S.D. of Steuben County K-5 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 fiscal years 2016-2017 and 2017-2018 totaled \$1,966,000 and \$1,958,000, respectively.

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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.

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METROPOLITAN SCHOOL DISTRICT OF STEUBEN 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post- Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 1,374,745	\$ 1,358,496	\$ 239,120	\$ 1,549,787	\$ 978,447	\$ 396,009	\$ 2,424,508	\$ 34,431
Receipts:								
Local sources	157,316	2,841,448	364,011	2,869,071	2,010,269	418,221	-	-
Intermediate sources	27	-	-	-	-	-	-	-
State sources	18,113,953	-	-	(1)	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	200	-	-	-	-	-	-	-
Total receipts	18,271,496	2,841,448	364,011	2,869,070	2,010,269	418,221	-	-
Disbursements:								
Instruction	11,679,787	-	-	-	-	-	-	-
Support services	5,903,889	-	-	1,526,485	1,602,318	623,684	-	-
Noninstructional services	321,567	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,501,641	-	-	-	-
Debt service	-	2,695,612	394,180	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	17,905,243	2,695,612	394,180	3,028,126	1,602,318	623,684	-	-
Excess (deficiency) of receipts over disbursements	366,253	145,836	(30,169)	(159,056)	407,951	(205,463)	-	-
Other financing sources (uses):								
Sale of capital assets	24,630	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(40,533)	-	-	-	-	-	-	-
Total other financing sources (uses)	(15,903)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	350,350	145,836	(30,169)	(159,056)	407,951	(205,463)	-	-
Cash and investments - ending	\$ 1,725,095	\$ 1,504,332	\$ 208,951	\$ 1,390,731	\$ 1,386,398	\$ 190,546	\$ 2,424,508	\$ 34,431

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

	<u>Construction</u>	<u>Construction 2018</u>	<u>School Lunch</u>	<u>Textbook Rental</u>	<u>Child Care Program</u>	<u>Educational License Plates</u>	<u>Alternative Education 2015-16</u>	<u>Alternative Education 2016-17</u>
Cash and investments - beginning	\$ 1,797,787	\$ -	\$ 304,559	\$ 565,410	\$ 7,847	\$ 3,419	\$ (14,119)	\$ -
Receipts:								
Local sources	-	-	574,882	204,788	77,943	-	43,923	103,664
Intermediate sources	-	-	-	-	-	319	-	-
State sources	-	-	14,954	100,556	-	-	-	13,973
Federal sources	-	-	783,797	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	1,373,633	305,344	77,943	319	43,923	117,637
Disbursements:								
Instruction	-	-	-	-	-	-	29,804	183,580
Support services	-	-	9,285	314,243	-	930	-	-
Noninstructional services	-	-	1,333,753	-	72,417	-	-	-
Facilities acquisition and construction	1,407,825	-	4,385	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	1,407,825	-	1,347,423	314,243	72,417	930	29,804	183,580
Excess (deficiency) of receipts over disbursements	(1,407,825)	-	26,210	(8,899)	5,526	(611)	14,119	(65,943)
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	(1,407,825)	-	26,210	(8,899)	5,526	(611)	14,119	(65,943)
Cash and investments - ending	\$ 389,962	\$ -	\$ 330,769	\$ 556,511	\$ 13,373	\$ 2,808	\$ -	\$ (65,943)

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

	Alternative Education 2017-18	Miscellaneous Donations	Dekko/Arts Partnership Grant	EOC Positive Behavior Rewards	Miscellaneous Grants	FIST Grants	Extra- Curricular Activities	Wellness
Cash and investments - beginning	\$ -	\$ 5,509	\$ -	\$ -	\$ 5,338	\$ -	\$ 60	\$ 23,964
Receipts:								
Local sources	-	8,150	2,500	-	4,750	2,573	-	2,563
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	8,150	2,500	-	4,750	2,573	-	2,563
Disbursements:								
Instruction	-	6,483	2,497	-	4,704	1,611	-	-
Support services	-	-	-	-	-	-	-	25,107
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	6,483	2,497	-	4,704	1,611	-	25,107
Excess (deficiency) of receipts over disbursements	-	1,667	3	-	46	962	-	(22,544)
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	-	1,667	3	-	46	962	-	(22,544)
Cash and investments - ending	\$ -	\$ 7,176	\$ 3	\$ -	\$ 5,384	\$ 962	\$ 60	\$ 1,420

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

	Scholarships and Awards	Miscellaneous Programs	Coca- Cola Sponsorship	Formative Assessment	High Ability 2015-16	High Ability 2016-17	High Ability 2017-18	Computer Consortium/ Ed Tech Advance
Cash and investments - beginning	\$ 150	\$ 3,690	\$ 4,250	\$ -	\$ 6,164	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	(2,675)	5,500	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	36,601	-	36,337	-	277,395
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	(2,675)	5,500	36,601	-	36,337	-	277,395
Disbursements:								
Instruction	-	-	-	36,601	6,164	30,344	-	-
Support services	-	69	-	-	-	-	-	277,395
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	69	-	36,601	6,164	30,344	-	277,395
Excess (deficiency) of receipts over disbursements	-	(2,744)	5,500	-	(6,164)	5,993	-	-
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	-	(2,744)	5,500	-	(6,164)	5,993	-	-
Cash and investments - ending	\$ 150	\$ 946	\$ 9,750	\$ -	\$ -	\$ 5,993	\$ -	\$ -

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

	Early Intervention 2017	Early Intervention	Secured Schools Safety Grant	Non-English Speaking Programs 2015-16	Non-English Speaking Programs 2016-17	Non-English Speaking Programs 2017-18	School Technology	Tech Breakage Assessments
Cash and investments - beginning	\$ -	\$ -	\$ (15,484)	\$ 2,956	\$ -	\$ -	\$ 120,675	\$ 18,141
Receipts:								
Local sources	-	-	-	-	-	-	23,205	38,128
Intermediate sources	-	-	-	-	-	-	-	-
State sources	12,196	-	27,010	-	19,498	-	8,468	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	12,196	-	27,010	-	19,498	-	31,673	38,128
Disbursements:								
Instruction	6,249	-	-	2,956	12,657	-	-	-
Support services	-	-	65,583	-	-	-	2,880	21,151
Noninstructional services	-	-	-	-	310	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	6,249	-	65,583	2,956	12,967	-	2,880	21,151
Excess (deficiency) of receipts over disbursements	5,947	-	(38,573)	(2,956)	6,531	-	28,793	16,977
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	40,533	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	40,533	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,947	-	1,960	(2,956)	6,531	-	28,793	16,977
Cash and investments - ending	\$ 5,947	\$ -	\$ (13,524)	\$ -	\$ 6,531	\$ -	\$ 149,468	\$ 35,118

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

	Career and Technical Performance Grant	Senator David Ford Technology	Title I 2015-16	Title I 2016-17	Title I 2017-18	Title IV, Part A SSAE	Title II 2015-16	Title II 2016-17
Cash and investments - beginning	\$ -	\$ -	\$ (33,403)	\$ -	\$ -	\$ -	\$ (6,561)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	15,375	-	-	-	-	-	-	-
Federal sources	-	-	93,776	293,001	-	-	30,248	53,078
Other receipts	-	-	-	-	-	-	-	-
Total receipts	15,375	-	93,776	293,001	-	-	30,248	53,078
Disbursements:								
Instruction	4,272	-	60,260	330,323	-	-	-	-
Support services	-	4,209	-	180	-	-	23,687	62,155
Noninstructional services	-	-	113	2,647	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	4,272	4,209	60,373	333,150	-	-	23,687	62,155
Excess (deficiency) of receipts over disbursements	11,103	(4,209)	33,403	(40,149)	-	-	6,561	(9,077)
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	11,103	(4,209)	33,403	(40,149)	-	-	6,561	(9,077)
Cash and investments - ending	\$ 11,103	\$ (4,209)	\$ -	\$ (40,149)	\$ -	\$ -	\$ -	\$ (9,077)

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

	Title II 2017-18	Title II 2018-19	Title III 2015-16	Title III 2016-17	Title III 2017-18	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (1,341)	\$ -	\$ -	\$ 22,086	\$ 11,176,640
Receipts:							
Local sources	-	-	-	-	-	-	9,750,230
Intermediate sources	-	-	-	-	-	-	346
State sources	-	-	-	-	-	-	18,676,315
Federal sources	-	-	4,300	12,543	-	-	1,270,743
Other receipts	-	-	-	-	-	5,235,333	5,235,533
Total receipts	-	-	4,300	12,543	-	5,235,333	34,933,167
Disbursements:							
Instruction	-	-	2,959	14,740	-	-	12,415,991
Support services	-	-	-	-	-	-	10,463,250
Noninstructional services	-	-	-	-	-	-	1,730,807
Facilities acquisition and construction	-	-	-	-	-	-	2,913,851
Debt service	-	-	-	-	-	-	3,089,792
Nonprogrammed charges	-	-	-	-	-	5,234,305	5,234,305
Total disbursements	-	-	2,959	14,740	-	5,234,305	35,847,996
Excess (deficiency) of receipts over disbursements	-	-	1,341	(2,197)	-	1,028	(914,829)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	24,630
Transfers in	-	-	-	-	-	-	40,533
Transfers out	-	-	-	-	-	-	(40,533)
Total other financing sources (uses)	-	-	-	-	-	-	24,630
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	1,341	(2,197)	-	1,028	(890,199)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (2,197)	\$ -	\$ 23,114	\$ 10,286,441

METROPOLITAN SCHOOL DISTRICT OF STEUBEN 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post- Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 1,725,095	\$ 1,504,332	\$ 208,951	\$ 1,390,731	\$ 1,386,398	\$ 190,546	\$ 2,424,508	\$ 34,431
Receipts:								
Local sources	202,009	3,220,330	383,916	2,930,656	2,071,177	424,812	-	-
Intermediate sources	29	-	-	-	-	-	-	-
State sources	18,034,945	-	-	400	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	182	-	-	-	-	-	-	-
Total receipts	18,237,165	3,220,330	383,916	2,931,056	2,071,177	424,812	-	-
Disbursements:								
Instruction	11,585,423	-	-	-	-	-	100,000	-
Support services	5,953,433	-	-	1,502,603	1,766,701	198,646	-	-
Noninstructional services	321,918	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,335,413	-	-	-	-
Debt service	-	3,220,378	388,923	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	17,860,774	3,220,378	388,923	2,838,016	1,766,701	198,646	100,000	-
Excess (deficiency) of receipts over disbursements	376,391	(48)	(5,007)	93,040	304,476	226,166	(100,000)	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	50,000	-	-	-	-	-	-	-
Transfers out	(16,575)	-	-	-	-	-	-	-
Total other financing sources (uses)	33,425	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	409,816	(48)	(5,007)	93,040	304,476	226,166	(100,000)	-
Cash and investments - ending	\$ 2,134,911	\$ 1,504,284	\$ 203,944	\$ 1,483,771	\$ 1,690,874	\$ 416,712	\$ 2,324,508	\$ 34,431

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

	<u>Construction</u>	<u>Construction 2018</u>	<u>School Lunch</u>	<u>Textbook Rental</u>	<u>Child Care Program</u>	<u>Educational License Plates</u>	<u>Alternative Education 2015-16</u>	<u>Alternative Education 2016-17</u>
Cash and investments - beginning	\$ 389,962	\$ -	\$ 330,769	\$ 556,511	\$ 13,373	\$ 2,808	\$ -	\$ (65,943)
Receipts:								
Local sources	-	-	545,913	200,728	68,356	-	-	100,292
Intermediate sources	-	-	-	-	-	375	-	-
State sources	-	-	15,289	99,864	-	-	-	-
Federal sources	-	-	789,006	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	1,350,208	300,592	68,356	375	-	100,292
Disbursements:								
Instruction	-	-	-	-	-	-	-	34,348
Support services	-	-	6,394	348,958	-	860	-	-
Noninstructional services	-	-	1,317,272	-	74,119	-	-	-
Facilities acquisition and construction	363,346	51,567	4,314	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	363,346	51,567	1,327,980	348,958	74,119	860	-	34,348
Excess (deficiency) of receipts over disbursements	(363,346)	(51,567)	22,228	(48,366)	(5,763)	(485)	-	65,944
Other financing sources (uses):								
Proceeds of long-term debt	-	2,072,559	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(50,000)	-	-	-	-	-
Total other financing sources (uses)	-	2,072,559	(50,000)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(363,346)	2,020,992	(27,772)	(48,366)	(5,763)	(485)	-	65,944
Cash and investments - ending	\$ 26,616	\$ 2,020,992	\$ 302,997	\$ 508,145	\$ 7,610	\$ 2,323	\$ -	\$ 1

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

	Alternative Education 2017-18	Miscellaneous Donations	Dekko/Arts Partnership Grant	EOC Positive Behavior Rewards	Miscellaneous Grants	FIST Grants	Extra- Curricular Activities	Wellness
Cash and investments - beginning	\$ -	\$ 7,176	\$ 3	\$ -	\$ 5,384	\$ 962	\$ 60	\$ 1,420
Receipts:								
Local sources	112,062	22,112	-	100	3,555	2,710	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	15,012	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>127,074</u>	<u>22,112</u>	<u>-</u>	<u>100</u>	<u>3,555</u>	<u>2,710</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	167,093	4,472	3	-	6,844	1,279	-	-
Support services	-	-	-	-	163	-	-	73
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>167,093</u>	<u>4,472</u>	<u>3</u>	<u>-</u>	<u>7,007</u>	<u>1,279</u>	<u>-</u>	<u>73</u>
Excess (deficiency) of receipts over disbursements	<u>(40,019)</u>	<u>17,640</u>	<u>(3)</u>	<u>100</u>	<u>(3,452)</u>	<u>1,431</u>	<u>-</u>	<u>(73)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(40,019)</u>	<u>17,640</u>	<u>(3)</u>	<u>100</u>	<u>(3,452)</u>	<u>1,431</u>	<u>-</u>	<u>(73)</u>
Cash and investments - ending	<u>\$ (40,019)</u>	<u>\$ 24,816</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 1,932</u>	<u>\$ 2,393</u>	<u>\$ 60</u>	<u>\$ 1,347</u>

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

	Scholarships and Awards	Miscellaneous Programs	Coca- Cola Sponsorship	Formative Assessment	High Ability 2015-16	High Ability 2016-17	High Ability 2017-18	Computer Consortium/ Ed Tech Advance
Cash and investments - beginning	\$ 150	\$ 946	\$ 9,750	\$ -	\$ -	\$ 5,993	\$ -	\$ -
Receipts:								
Local sources	-	-	2,750	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	33,318	-	-	35,983	276,887
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	2,750	33,318	-	-	35,983	276,887
Disbursements:								
Instruction	-	-	1,451	33,318	-	5,992	26,683	-
Support services	-	-	-	-	-	-	-	276,887
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	1,451	33,318	-	5,992	26,683	276,887
Excess (deficiency) of receipts over disbursements	-	-	1,299	-	-	(5,992)	9,300	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	1,299	-	-	(5,992)	9,300	-
Cash and investments - ending	\$ 150	\$ 946	\$ 11,049	\$ -	\$ -	\$ 1	\$ 9,300	\$ -

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

	Early Intervention 2017	Early Intervention	Secured Schools Safety Grant	Non-English Speaking Programs 2015-16	Non-English Speaking Programs 2016-17	Non-English Speaking Programs 2017-18	School Technology	Tech Breakage Assessments
Cash and investments - beginning	\$ 5,947	\$ -	\$ (13,524)	\$ -	\$ 6,531	\$ -	\$ 149,468	\$ 35,118
Receipts:								
Local sources	-	-	-	-	-	-	10,191	36,342
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	12,029	30,099	-	-	20,250	11,010	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	12,029	30,099	-	-	20,250	21,201	36,342
Disbursements:								
Instruction	5,946	6,743	-	-	6,531	10,298	-	-
Support services	-	-	47,345	-	-	-	66,037	46,783
Noninstructional services	-	-	-	-	-	191	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	5,946	6,743	47,345	-	6,531	10,489	66,037	46,783
Excess (deficiency) of receipts over disbursements	(5,946)	5,286	(17,246)	-	(6,531)	9,761	(44,836)	(10,441)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	16,576	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	16,576	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,946)	5,286	(670)	-	(6,531)	9,761	(44,836)	(10,441)
Cash and investments - ending	\$ 1	\$ 5,286	\$ (14,194)	\$ -	\$ -	\$ 9,761	\$ 104,632	\$ 24,677

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

	Career and Technical Performance Grant	Senator David Ford Technology	Title I 2015-16	Title I 2016-17	Title I 2017-18	Title IV, Part A SSAE	Title II 2015-16	Title II 2016-17
Cash and investments - beginning	\$ 11,103	\$ (4,209)	\$ -	\$ (40,149)	\$ -	\$ -	\$ -	\$ (9,077)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	13,418	73,261	-	-	-	-	-	-
Federal sources	-	-	-	84,540	281,943	750	-	37,318
Other receipts	-	-	-	-	-	-	-	-
Total receipts	13,418	73,261	-	84,540	281,943	750	-	37,318
Disbursements:								
Instruction	20,461	8,976	-	43,980	312,140	-	-	-
Support services	-	60,076	-	322	1,572	750	-	28,241
Noninstructional services	-	-	-	76	2,741	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	20,461	69,052	-	44,378	316,453	750	-	28,241
Excess (deficiency) of receipts over disbursements	(7,043)	4,209	-	40,162	(34,510)	-	-	9,077
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	13	-	-	-
Transfers out	-	-	-	(13)	-	-	-	-
Total other financing sources (uses)	-	-	-	(13)	13	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,043)	4,209	-	40,149	(34,497)	-	-	9,077
Cash and investments - ending	\$ 4,060	\$ -	\$ -	\$ -	\$ (34,497)	\$ -	\$ -	\$ -

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

	Title II 2017-18	Title II 2018-19	Title III 2015-16	Title III 2016-17	Title III 2017-18	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (2,197)	\$ -	\$ 23,114	\$ 10,286,441
Receipts:							
Local sources	-	-	-	-	-	-	10,338,011
Intermediate sources	-	-	-	-	-	-	404
State sources	-	-	-	-	-	-	18,671,765
Federal sources	66,345	1,528	-	3,685	10,953	-	1,276,068
Other receipts	-	-	-	-	-	5,115,406	5,115,588
Total receipts	<u>66,345</u>	<u>1,528</u>	<u>-</u>	<u>3,685</u>	<u>10,953</u>	<u>5,115,406</u>	<u>35,401,836</u>
Disbursements:							
Instruction	-	-	-	1,488	12,259	-	12,395,728
Support services	76,586	118	-	-	-	-	10,382,548
Noninstructional services	-	-	-	-	-	-	1,716,317
Facilities acquisition and construction	-	-	-	-	-	-	1,754,640
Debt service	-	-	-	-	-	-	3,609,301
Nonprogrammed charges	-	-	-	-	-	5,132,663	5,132,663
Total disbursements	<u>76,586</u>	<u>118</u>	<u>-</u>	<u>1,488</u>	<u>12,259</u>	<u>5,132,663</u>	<u>34,991,197</u>
Excess (deficiency) of receipts over disbursements	<u>(10,241)</u>	<u>1,410</u>	<u>-</u>	<u>2,197</u>	<u>(1,306)</u>	<u>(17,257)</u>	<u>410,639</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	2,072,559
Transfers in	-	-	-	-	-	-	66,589
Transfers out	-	-	-	-	-	-	(66,588)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,072,560</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(10,241)</u>	<u>1,410</u>	<u>-</u>	<u>2,197</u>	<u>(1,306)</u>	<u>(17,257)</u>	<u>2,483,199</u>
Cash and investments - ending	<u>\$ (10,241)</u>	<u>\$ 1,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,306)</u>	<u>\$ 5,857</u>	<u>\$ 12,769,640</u>

METROPOLITAN SCHOOL DISTRICT OF STEUBEN 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>\$ 330,108</u>	<u>\$ 51,731</u>

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
M.S.D. of Steuben County K-5 Building Corporation	Ryan Park Elementary 2014 Refunding Lease	<u>\$ 2,106,000</u>	7/15/2014	1/15/2026

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General Obligation Bonds	2016 General Obligation Bonds	\$ 465,000	\$ 467,906
General Obligation Bonds	2018 General Obligation Bonds	2,000,000	421,000
General Obligation Bonds	2013 Pension Obligation Bonds	1,885,000	383,373
Notes and Loans Payable	Common School Loans-AHS	135,355	55,360
Notes and Loans Payable	Common School Loans-AMS	83,543	56,392
Notes and Loans Payable	Common School Loans-Elementary-1	170,078	50,173
Notes and Loans Payable	Common School Loans-Elementary-2	249,655	57,837
Notes and Loans Payable	Common School Loans-Corporation	<u>276,887</u>	<u>30,787</u>
Totals		<u>\$ 5,265,518</u>	<u>\$ 1,522,828</u>

METROPOLITAN SCHOOL DISTRICT OF STEUBEN 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	\$ 2,050,903
Buildings	55,222,869
Improvements other than buildings	1,792,249
Machinery, equipment, and vehicles	<u>7,363,957</u>
Total capital assets	<u>\$ 66,429,978</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan School District of Steuben 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 each of its major federal programs for the period of July 1, 2016 to June 30, 2018. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018.

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

Report on Internal Control over Compliance


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

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 item 2018-002, that we consider to be a material weakness.

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

April 9, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

METROPOLITAN SCHOOL DISTRICT OF STEUBEN 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	FY 2016-2017	\$ -	\$ 130,873	\$ -	\$ -
			FY 2017-2018	-	-	-	124,322
Total - School Breakfast Program				-	130,873	-	124,322
National School Lunch Program	Indiana Department of Education	10.555	FY 2016-2017	-	645,367	-	-
			FY 2017-2018	-	-	-	658,040
Commodities			FY 2016-2017	-	110,443	-	-
Commodities			FY 2017-2018	-	-	-	118,180
Total - National School Lunch Program				-	755,810	-	776,220
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2016-2017	-	7,557	-	-
			FY 2017-2018	-	-	-	6,644
Total - Summer Food Service Program for Children				-	7,557	-	6,644
Total - Child Nutrition Cluster				-	894,240	-	907,186
Total - Department of Agriculture				-	894,240	-	907,186
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027	14216-044-PN01	-	101,842	-	-
			14217-044-PN01	-	497,197	-	84,014
			18611-044-PN01	-	-	-	505,957
Total - Special Education Grants to States				-	599,039	-	589,971
Special Education Preschool Grants	Indiana Department of Education	84.173	45717-044-PN01	-	19,120	-	-
			18619-044-PN01	-	-	-	18,838
Total - Special Education Preschool Grants				-	19,120	-	18,838
Total - Special Education Cluster (IDEA)				-	618,159	-	608,809

METROPOLITAN SCHOOL DISTRICT OF STEUBEN 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
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	16-7615	-	93,776	-	66,843
			17-7615	-	293,001	-	84,176
			18-7615	-	-	-	215,464
Total - Title I Grants to Local Educational Agencies				-	386,777	-	366,483
English Language Acquisition State Grants	Indiana Department of Education	84.365	01116-087-PN01	-	4,300	-	-
			01117-085-PN01	-	12,543	-	3,685
			01118-084-PN01	-	-	-	10,953
Total - English Language Acquisition State Grants				-	16,843	-	14,638
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	S367A140013	-	30,248	-	-
			S367A150013	-	53,078	-	37,318
			S367A160013	-	-	-	66,345
			S367A170013	-	-	-	1,528
Total - Supporting Effective Instruction State Grants				-	83,326	-	105,191
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424	S424A170015	-	-	-	750
Total - Department of Education				-	1,105,105	-	1,095,871
Total federal awards expended				\$ -	\$ 1,999,345	\$ -	\$ 2,003,057

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

METROPOLITAN SCHOOL DISTRICT OF STEUBEN 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 the Northeast Indiana Special Education Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN 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 deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

FINDING 2018-001

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

Condition

The School Corporation did not have a proper system of internal controls 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, which is a financial reporting system used to compile the School Corporation's SEFA. There was no evidence of a control process in place to ensure the accuracy of the information prior to submission.

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

Context

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$105,876 and \$112,710 for fiscal years 2016-2017 and 2017-2018, respectively.
2. The Special Education Cluster (IDEA) expenditures were understated by \$17,828 and \$6,852 for fiscal years 2016-2017 and 2017-2018, 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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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. . . ."

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

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

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 controls that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal controls 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.

Views of the Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-002

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness

Condition

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

The School Corporation used a computer software system to determine eligibility based on information entered into the software by either the Food Service Director or Food Service Secretary from student applications. The School Corporation had established an internal control policy over Eligibility as recommended by the Indiana Department of Education; however, sufficient evidence was not provided to verify that the policy had been properly implemented.

Context

The lack of properly implemented controls was a systemic problem, which occurred 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). . . ."

Cause

Management had not implemented a system of internal controls that would have ensured compliance with the Eligibility compliance requirement.

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management implement controls related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY

400 SOUTH MARTHA STREET ♦ ANGOLA, INDIANA 46703 ♦ 260.665.2854 ♦ FAX: 260.665.9155 ♦ www.msdssteuben.k12.in.us

Dr. Brent A. Wilson
Superintendent

Mrs. Ann Rice
Assistant Superintendent

Mrs. Cyndi Nusbaum
Director of Curriculum &
Instruction

Mrs. Chantell Manahan
Technology Director

Mrs. Monte VanGessel
Business Manager

Mrs. Stephanie Haynes-Clifford
Food Service Director

Mr. Gary Puckett
Transportation Director

Mr. Heath Wagner
Facilities & Grounds
Director

Ms. Kathy Bahr
Special Education
Coordinator

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Mr. Brad Gardner
Member

Mr. Case Gilbert
Member

Mr. Scott Poor
Member

SCHOOL ATTORNEY

Mr. Kim E. Shoup

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding initially occurred: FY 2015-16
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Department of Education
Contact Person Responsible for Corrective Action: Mary Burton, NEISEC
Director

Status of Audit Finding:

Per DeKalb County Eastern CSD, the NEISEC Director prints off and signs all Semi-Annual Certifications as proof of review. Payroll records for individual employees show funding allocations from IDEA part B and IDEA Preschool grants.



Monte VanGessel
Business Manager/Treasurer
March 5, 2019

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Member

Mr. Scott Poor
Member

SCHOOL ATTORNEY

Mr. Kim E. Shoup

Corrective Action Plan

FINDING 2018-001

Contact person Responsible for Corrective Action: Monte VanGessel

Contact Phone Number: 260 665-2854

View of Responsible Official: We concur with the finding.

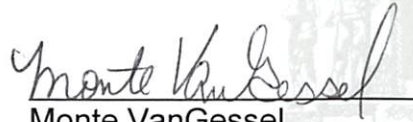
MSD has reported the same commodities number which was obtained from the IDOE School and Community Nutrition Programs website since 2015 and was unaware an incorrect number was being reported.

School Bulletin Volume 211 Page 7 states that when a Co-Op is a fiscal agent for the school corporation, the Co-Op "should provide the member schools with their total allocation and that is what each member school should include in the grant section of their Gateway AFR." MSD has relied on the NEISEC to provide the correct numbers for the SEFA.

Description of Corrective Action Plan:

MSD will follow the guidelines for reporting commodities presented by the State Board of Accounts during this audit from here forward.

MSD has requested the NEISEC have the allocation numbers that are provided to MSD be certified by 2 (two) responsible officials of the NEISEC from here forward.



Monte VanGessel
Business Manager
April 8, 2019

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Dr. Brent A. Wilson
Superintendent

Corrective Action Plan

Mrs. Ann Rice
Asst. Superintendent

FINDING 2018-002

Mrs. Cyndi Nusbaum
Director of Curriculum &
Instruction

Mrs. Chantell Manahan
Technology Director

Mrs. Monte VanGessel
Business Manager

Mrs. Stephanie Haynes-Clifford
Food Service Director

Mr. Gary Puckett
Transportation Director

Mr. Heath Wagner
Facilities & Grounds
Director

Ms. Kathy Bahr
Special Education
Coordinator

Contact person Responsible for Corrective Action: Stephanie Haynes-Clifford

Contact Phone Number: 260 665-2854

View of Responsible Official: Food Service has followed MSD Board Policy #3410 since its implementation by reviewing 5% of Free and Reduced lunch applications. These reviewed applications were not set aside so they could be readily retrieved for the audit.

Description of Corrective Action Plan:

From here forward Food Service will maintain separate copies of audited applications in a separate file or location for easy audit retrieval.

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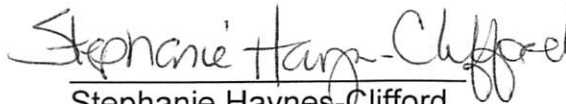
Mr. Brad Gardner
Member

Ms. Case Gilbert
Member

Mr. Scott Poor
Member

SCHOOL ATTORNEY

Mr. Kim E. Shoup


Stephanie Haynes-Clifford
Food Service Director
April 8, 2019

This institution is an equal opportunity provider.

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/>.