

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NETTLE CREEK SCHOOL CORPORATION
WAYNE COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
02/21/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judy Cole	07-01-11 to 06-30-14
Superintendent of Schools	Joseph Bockmeyer Dr. William Doering	07-01-11 to 06-30-12 07-01-12 to 06-30-14
President of the School Board	Cary Rhoades	07-01-11 to 12-31-13



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NETTLE CREEK SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Nettle Creek School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

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 of 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 of 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, 2011 to June 30, 2013.

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, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2013, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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



Paul D. Joyce, CPA
State Examiner

December 11, 2013



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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 NETTLE CREEK SCHOOL CORPORATION, WAYNE 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 Nettle Creek School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated December 11, 2013, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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 entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned costs as item 2013-001 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 2013-001.

Nettle Creek School Corporation'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

December 11, 2013

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FINANCIAL STATEMENT

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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NETTLE CREEK SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 579,265	\$ 7,422,846	\$ 7,446,820	\$ -	\$ 555,291	\$ 7,330,225	\$ 7,723,528	\$ 2,209	\$ 164,197
Debt Service	404,323	1,197,841	1,142,942	3,388	462,610	1,311,511	1,168,297	(10,774)	595,050
Capital Projects	1,019,262	779,812	990,153	2,346	811,267	773,190	740,939	-	843,518
School Transportation	(3,843)	603,006	632,630	2,004	(31,463)	625,459	570,060	-	23,936
School Bus Replacement	84,492	74,426	79,318	2,582	82,182	95,438	80,450	1,551	98,721
Rainy Day	225,221	-	54,448	-	170,773	-	85,000	-	85,773
Construction	-	-	342,774	594,000	251,226	-	238,680	-	12,546
School Lunch	36,729	614,533	553,096	-	98,166	520,253	526,625	-	91,794
Textbook Rental	3,260	146,445	143,762	-	5,943	175,062	100,039	10,774	91,740
Educational License Plates	7,874	431	2,109	-	6,196	300	-	-	6,496
Indiana YRBS	350	-	-	-	350	-	-	-	350
US Bank Scholarship Fund	200	-	200	-	-	-	-	-	-
Reed House Memorial Fund	318	-	-	-	318	-	-	-	318
Ellen M. Lane Memorial Scholarship	-	500	500	-	-	-	-	-	-
HS Beef Farm Project	-	-	-	-	-	1,000	-	-	1,000
Tobacco Use Prevention Grant	500	-	-	-	500	-	-	-	500
Instruction Support	6,928	28,837	32,452	-	3,313	-	3,313	-	-
12-13 High Ability Grant	-	-	-	-	-	29,353	25,766	-	3,587
2011HA Making A Difference Grant	-	15,000	15,000	-	-	-	-	-	-
Vectren Brigh Ideas Grant	18	-	18	-	-	-	-	-	-
Non-English Speaking Programs P.L. 273-1999	8	-	8	-	-	-	-	-	-
School Technology	21,880	11,437	9,994	-	23,323	12,462	11,208	-	24,577
INACCESS Sci/Eng Classroom Program	12,363	-	-	-	12,363	-	-	-	12,363
Excess PTRC Distributions	7,688	-	-	(7,688)	-	-	-	-	-
CAPE Grant (Lily Endowment)	128	-	128	-	-	-	-	-	-
2010-2011 Title I Grant	(7,236)	39,123	31,887	-	-	-	-	-	-
2011-2012 Title I Grant	-	175,396	208,588	-	(33,192)	33,192	-	-	-
12-13 Title I Grant	-	-	-	-	-	182,000	205,013	-	(23,013)
07-08 Drug Free School	522	-	522	-	-	-	-	-	-
Title II, Part A Improving Teacher Quality	(1,599)	21,761	20,162	-	-	-	-	-	-
10-11 Title II, Part A	(124)	18,057	40,464	-	(22,531)	31,446	8,915	-	-
11-12 Title II, Part A	-	22,883	24,133	-	(1,250)	16,755	16,270	-	(765)
12-13 Title II, Part A	-	-	-	-	-	1,370	8,461	-	(7,091)
Education Jobs	-	226,748	243,219	-	(16,471)	21,437	4,966	-	-
Payroll Withholdings	4	1,658,975	1,658,923	-	56	1,716,159	1,716,215	-	-
Totals	\$ 2,398,531	\$ 13,058,057	\$ 13,674,250	\$ 596,632	\$ 2,378,970	\$ 12,876,612	\$ 13,233,745	\$ 3,760	\$ 2,025,597

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

NETTLE CREEK SCHOOL CORPORATION
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, 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 which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

NETTLE CREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include 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 which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows 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 which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

NETTLE CREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Transfers in which includes money 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 which includes money 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 money 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 money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

NETTLE CREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize the School Corporation to invest in securities including, but not limited to, 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 an agent 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
1 North Capital Street, 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.

NETTLE CREEK SCHOOL CORPORATION
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
1 North Capital Street, 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 a temporary delay in reimbursement of funds.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are 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 supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

NETTLE CREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch
Cash and investments - beginning	\$ 579,265	\$ 404,323	\$ 1,019,262	\$ (3,843)	\$ 84,492	\$ 225,221	\$ -	\$ 36,729
Receipts:								
Local sources	103,885	1,197,841	755,283	601,313	74,426	-	-	228,504
Intermediate sources	25	-	-	-	-	-	-	-
State sources	7,308,025	-	-	-	-	-	-	10,971
Federal sources	-	-	-	-	-	-	-	374,608
Other	10,911	-	24,529	1,693	-	-	-	450
Total receipts	<u>7,422,846</u>	<u>1,197,841</u>	<u>779,812</u>	<u>603,006</u>	<u>74,426</u>	<u>-</u>	<u>-</u>	<u>614,533</u>
Disbursements:								
Current:								
Instruction	5,365,124	-	-	-	-	-	-	-
Support services	1,925,453	-	778,377	632,630	79,318	54,448	-	478
Noninstructional services	156,243	-	-	-	-	-	-	552,618
Facilities acquisition and construction	-	-	211,776	-	-	-	342,774	-
Debt services	-	1,142,942	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>7,446,820</u>	<u>1,142,942</u>	<u>990,153</u>	<u>632,630</u>	<u>79,318</u>	<u>54,448</u>	<u>342,774</u>	<u>553,096</u>
Excess (deficiency) of receipts over disbursements	<u>(23,974)</u>	<u>54,899</u>	<u>(210,341)</u>	<u>(29,624)</u>	<u>(4,892)</u>	<u>(54,448)</u>	<u>(342,774)</u>	<u>61,437</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	594,000	-
Sale of capital assets	-	-	-	212	2,420	-	-	-
Transfers in	-	3,388	2,346	1,792	162	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>3,388</u>	<u>2,346</u>	<u>2,004</u>	<u>2,582</u>	<u>-</u>	<u>594,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(23,974)</u>	<u>58,287</u>	<u>(207,995)</u>	<u>(27,620)</u>	<u>(2,310)</u>	<u>(54,448)</u>	<u>251,226</u>	<u>61,437</u>
Cash and investments - ending	<u>\$ 555,291</u>	<u>\$ 462,610</u>	<u>\$ 811,267</u>	<u>\$ (31,463)</u>	<u>\$ 82,182</u>	<u>\$ 170,773</u>	<u>\$ 251,226</u>	<u>\$ 98,166</u>

NETTLE CREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Textbook Rental	Educational License Plates	Indiana YRBS	US Bank Scholarship Fund	Reed House Memorial Fund	Ellen M. Lane Memorial Scholarship	Tobacco Use Prevention Grant	Instruction Support
Cash and investments - beginning	\$ 3,260	\$ 7,874	\$ 350	\$ 200	\$ 318	\$ -	\$ 500	\$ 6,928
Receipts:								
Local sources	106,795	-	-	-	-	500	-	-
Intermediate sources	-	431	-	-	-	-	-	-
State sources	39,350	-	-	-	-	-	-	28,837
Federal sources	-	-	-	-	-	-	-	-
Other	300	-	-	-	-	-	-	-
Total receipts	146,445	431	-	-	-	500	-	28,837
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	32,452
Support services	143,762	2,109	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	200	-	500	-	-
Total disbursements	143,762	2,109	-	200	-	500	-	32,452
Excess (deficiency) of receipts over disbursements	2,683	(1,678)	-	(200)	-	-	-	(3,615)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,683	(1,678)	-	(200)	-	-	-	(3,615)
Cash and investments - ending	\$ 5,943	\$ 6,196	\$ 350	\$ -	\$ 318	\$ -	\$ 500	\$ 3,313

NETTLE CREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	2011HA Making A Difference Grant	Vectren Brigh Ideas Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	INACCESS Sci/Eng Classroom Program	Excess PTRC Distributions	CAPE Grant (Lily Endowment)	2010-2011 Title I Grant
Cash and investments - beginning	\$ -	\$ 18	\$ 8	\$ 21,880	\$ 12,363	\$ 7,688	\$ 128	\$ (7,236)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	15,000	-	-	4,932	-	-	-	-
Federal sources	-	-	-	-	-	-	-	39,123
Other	-	-	-	6,505	-	-	-	-
Total receipts	15,000	-	-	11,437	-	-	-	39,123
Disbursements:								
Current:								
Instruction	15,000	18	-	8,874	-	-	-	30,629
Support services	-	-	8	1,120	-	-	128	1,258
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	15,000	18	8	9,994	-	-	128	31,887
Excess (deficiency) of receipts over disbursements	-	(18)	(8)	1,443	-	-	(128)	7,236
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(7,688)	-	-
Total other financing sources (uses)	-	-	-	-	-	(7,688)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(18)	(8)	1,443	-	(7,688)	(128)	7,236
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 23,323	\$ 12,363	\$ -	\$ -	\$ -

NETTLE CREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	2011-2012 Title I Grant	07-08 Drug Free School	Title II, Part A Improving Teacher Quality	10-11 Title II, Part A	11-12 Title II, Part A	Education Jobs	Payroll Withholding	Totals
Cash and investments - beginning	\$ -	\$ 522	\$ (1,599)	\$ (124)	\$ -	\$ -	\$ 4	\$ 2,398,531
Receipts:								
Local sources	-	-	-	-	-	-	-	3,068,547
Intermediate sources	-	-	-	-	-	-	-	456
State sources	-	-	-	-	-	-	-	7,407,115
Federal sources	175,396	-	21,761	18,057	22,883	226,748	-	878,576
Other	-	-	-	-	-	-	1,658,975	1,703,363
Total receipts	175,396	-	21,761	18,057	22,883	226,748	1,658,975	13,058,057
Disbursements:								
Current:								
Instruction	200,077	-	-	-	-	243,219	-	5,895,393
Support services	8,511	522	20,162	40,464	24,133	-	-	3,712,881
Noninstructional services	-	-	-	-	-	-	-	708,861
Facilities acquisition and construction	-	-	-	-	-	-	-	554,550
Debt services	-	-	-	-	-	-	-	1,142,942
Nonprogrammed charges	-	-	-	-	-	-	1,658,923	1,659,623
Total disbursements	208,588	522	20,162	40,464	24,133	243,219	1,658,923	13,674,250
Excess (deficiency) of receipts over disbursements	(33,192)	(522)	1,599	(22,407)	(1,250)	(16,471)	52	(616,193)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	594,000
Sale of capital assets	-	-	-	-	-	-	-	2,632
Transfers in	-	-	-	-	-	-	-	7,688
Transfers out	-	-	-	-	-	-	-	(7,688)
Total other financing sources (uses)	-	-	-	-	-	-	-	596,632
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(33,192)	(522)	1,599	(22,407)	(1,250)	(16,471)	52	(19,561)
Cash and investments - ending	\$ (33,192)	\$ -	\$ -	\$ (22,531)	\$ (1,250)	\$ (16,471)	\$ 56	\$ 2,378,970

NETTLE CREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 555,291	\$ 462,610	\$ 811,267	\$ (31,463)	\$ 82,182	\$ 170,773	\$ 251,226	\$ 98,166	\$ 5,943
Receipts:									
Local sources	77,895	1,311,511	766,303	619,559	95,438	-	-	215,425	140,794
Intermediate sources	14	-	-	-	-	-	-	-	-
State sources	7,216,177	-	-	-	-	-	-	10,000	33,967
Federal sources	-	-	-	-	-	-	-	294,378	-
Other	36,139	-	6,887	5,900	-	-	-	450	301
Total receipts	7,330,225	1,311,511	773,190	625,459	95,438	-	-	520,253	175,062
Disbursements:									
Current:									
Instruction	5,697,136	-	-	-	-	-	-	-	-
Support services	1,876,212	-	563,628	570,060	80,450	85,000	-	452	100,039
Noninstructional services	150,180	-	-	-	-	-	-	526,173	-
Facilities acquisition and construction	-	-	177,311	-	-	-	238,680	-	-
Debt services	-	1,168,297	-	-	-	-	-	-	-
Total disbursements	7,723,528	1,168,297	740,939	570,060	80,450	85,000	238,680	526,625	100,039
Excess (deficiency) of receipts over disbursements	(393,303)	143,214	32,251	55,399	14,988	(85,000)	(238,680)	(6,372)	75,023
Other financing sources (uses):									
Sale of capital assets	2,209	-	-	-	1,551	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	10,774
Transfers out	-	(10,774)	-	-	-	-	-	-	-
Total other financing sources (uses)	2,209	(10,774)	-	-	1,551	-	-	-	10,774
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(391,094)	132,440	32,251	55,399	16,539	(85,000)	(238,680)	(6,372)	85,797
Cash and investments - ending	\$ 164,197	\$ 595,050	\$ 843,518	\$ 23,936	\$ 98,721	\$ 85,773	\$ 12,546	\$ 91,794	\$ 91,740

NETTLE CREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Educational License Plates	Indiana YRBS	Reed House Memorial Fund	HS Beef Farm Project	Tobacco Use Prevention Grant	Instruction Support	12-13 High Ability Grant	School Technology	INACCESS Sci/Eng Classroom Program
Cash and investments - beginning	\$ 6,196	\$ 350	\$ 318	\$ -	\$ 500	\$ 3,313	\$ -	\$ 23,323	\$ 12,363
Receipts:									
Local sources	-	-	-	1,000	-	-	-	-	-
Intermediate sources	300	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	29,353	5,361	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	7,101	-
Total receipts	300	-	-	1,000	-	-	29,353	12,462	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	3,313	25,766	9,978	-
Support services	-	-	-	-	-	-	-	1,230	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	3,313	25,766	11,208	-
Excess (deficiency) of receipts over disbursements	300	-	-	1,000	-	(3,313)	3,587	1,254	-
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	300	-	-	1,000	-	(3,313)	3,587	1,254	-
Cash and investments - ending	\$ 6,496	\$ 350	\$ 318	\$ 1,000	\$ 500	\$ -	\$ 3,587	\$ 24,577	\$ 12,363

NETTLE CREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	2011-2012 Title I Grant	12-13 Title I Grant	10-11 Title II, Part A	11-12 Title II, Part A	12-13 Title II, Part A	Education Jobs	Payroll Withholding	Totals
Cash and investments - beginning	\$ (33,192)	\$ -	\$ (22,531)	\$ (1,250)	\$ -	\$ (16,471)	\$ 56	\$ 2,378,970
Receipts:								
Local sources	-	-	-	2,351	-	-	-	3,230,276
Intermediate sources	-	-	-	-	-	-	-	314
State sources	-	-	-	-	-	-	-	7,294,858
Federal sources	33,192	182,000	31,446	14,404	1,370	21,437	-	578,227
Other	-	-	-	-	-	-	1,716,159	1,772,937
Total receipts	<u>33,192</u>	<u>182,000</u>	<u>31,446</u>	<u>16,755</u>	<u>1,370</u>	<u>21,437</u>	<u>1,716,159</u>	<u>12,876,612</u>
Disbursements:								
Current:								
Instruction	-	189,177	-	-	-	4,966	-	5,930,336
Support services	-	15,836	8,915	16,270	8,461	-	-	3,326,553
Noninstructional services	-	-	-	-	-	-	-	676,353
Facilities acquisition and construction	-	-	-	-	-	-	-	415,991
Debt services	-	-	-	-	-	-	1,716,215	2,884,512
Total disbursements	<u>-</u>	<u>205,013</u>	<u>8,915</u>	<u>16,270</u>	<u>8,461</u>	<u>4,966</u>	<u>1,716,215</u>	<u>13,233,745</u>
Excess (deficiency) of receipts over disbursements	<u>33,192</u>	<u>(23,013)</u>	<u>22,531</u>	<u>485</u>	<u>(7,091)</u>	<u>16,471</u>	<u>(56)</u>	<u>(357,133)</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	3,760
Transfers in	-	-	-	-	-	-	-	10,774
Transfers out	-	-	-	-	-	-	-	(10,774)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,760</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>33,192</u>	<u>(23,013)</u>	<u>22,531</u>	<u>485</u>	<u>(7,091)</u>	<u>16,471</u>	<u>(56)</u>	<u>(353,373)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (23,013)</u>	<u>\$ -</u>	<u>\$ (765)</u>	<u>\$ (7,091)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,025,597</u>

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2013

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	HS Building Construction	\$ 3,440,422	\$ 389,915
General obligation bonds	Elem Building Renovation	600,000	87,563
Lease Rental Bond Series 2005	HS & Elem Building Renovation & Constr.	5,125,000	729,500
Lease Rental Bond Series 2012	HS Building Renovation	<u>2,000,000</u>	<u>72,500</u>
Totals		<u>\$ 11,165,422</u>	<u>\$ 1,279,478</u>

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NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2013

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	\$ 267,971
Buildings	11,023,262
Improvements other than buildings	765,969
Machinery, equipment, and vehicles	<u>3,768,741</u>
Total capital assets	<u>\$ 15,825,943</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 NETTLE CREEK SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Nettle Creek School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002 and 2013-003 to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 11, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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.

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NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013

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	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	11-12 Program Yr. 12-13 Program Yr.	\$ 66,283 -	\$ - 46,668
National School Lunch Program	Indiana Department of Education	10.555	11-12 Program Yr. 12-13 Program Yr.	238,223 -	- 206,745
Total Child Nutrition Cluster				<u>304,506</u>	<u>253,413</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	FY2010 FY2011 FY2012	39,122 175,396 -	- 33,192 182,000
Total Title I, Part A Cluster				<u>214,518</u>	<u>215,192</u>
Improving Teacher Quality State Grants					
	Indiana Department of Education	84.367	FY 2009-2010 FY 2010-2011 FY 2011-2012 FY 2012-2013	21,761 18,057 22,883 -	- 31,446 16,755 1,369
Total Improving Teacher Quality State Grants				<u>62,701</u>	<u>49,570</u>
Safe and Drug Free Schools and Communities - State Grants (Title IV, Part A, Subpart 1 of ESEA)					
Drug Free Schools	Indiana Department of Education	84.186	FY 07-08	522	-
Education Jobs Fund					
	Indiana Department of Education	84.410	FY 2011-2012	243,219	4,966
Total Department of Education				<u>520,960</u>	<u>269,728</u>
Total federal awards expended				<u>\$ 825,466</u>	<u>\$ 523,141</u>

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

NETTLE CREEK SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Nettle Creek School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
School Breakfast Program	10.553	\$ 5,598	\$ 4,966
National School Lunch Program	10.555	28,959	30,086

NETTLE CREEK SCHOOL CORPORATION
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 programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.410	Child Nutrition Cluster Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

**FINDING 2013-001 - MATERIAL ERRORS ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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 should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the audit of the SEFA, we noted the following errors: Grants were listed on the SEFA for incorrect amounts and commodities received were not included in the SEFA. Audit adjustments were proposed, accepted by the School Corporation and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding of controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Public School Corporations Chapter 9)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

**FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS
THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE CHILD NUTRITION CLUSTER**

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program

CFDA Number: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): 2011-2012 and 2012-2013

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Eligibility, Reporting, and Special Tests and Provisions. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

The Cafeteria Manager was responsible for determining the students' eligibility and there was no review by other personnel of the eligibility determination. Also, the Cafeteria Manager prepared monthly reimbursement requests. These also were not reviewed by other personnel in order to prevent errors. Additionally, the Cafeteria Manager was responsible for determining the 3 percent of applications to select for verification and checking the verification. There was no review of this process by other personnel.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect to the program.

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

***FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS
THAT HAVE A DIRECT AND MATERIAL EFFECT TO EDUCATION JOBS FUND***

Federal Agency: Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Number and Year (or Other Identifying Number): FY 2011-2012
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and one of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirement: Period of Availability. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

The School Corporation Treasurer prepared an appropriations report of the Education Jobs Fund grant for review by the School Board each month. The purpose of the appropriations report is to give the School Board the information necessary to know what has been spent from the grant funds and how much is remaining to be spent within the period of availability. While there was evidence that the appropriations reports were prepared, there was not any evidence that the School Board reviewed any of the appropriations reports.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement noted above that has a direct and material effect to the program.

February 3, 2014

Nettle Creek School Corporation
Corrective Action Plan
Audit Period 2011-2012 and 2012-2013

Section II – Financial Statement Findings

FINDING 2013-001 – MATERIAL ERRORS TO SCHEDULE OF FEDERAL AWARDS

We are a small school corporation and must use existing employees to ensure compliance requirements are followed in regards to accurately completing the Schedule of Expenditures of Federal Awards (SEFA).

As a means to provide an internal control system, the corporation treasurer will prepare the biannual SEFA report. The superintendent will review and initial this work.

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-002, INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Program: Child Nutrition Cluster

CFDA Number: 10.555

Federal Award Number and Year: 2011-2012 and 2012-2013

Pass-Through Entity: Indiana Department of Education

Contact Person: Penny Maddy

Anticipated Correction Date: February 1, 2014

We are a small school corporation and must use existing employees to ensure compliance requirements are followed in the areas of Eligibility, Reporting and Special Tests and Provisions.

As a means to provide an internal control system, the Director of Food Services will review all applications and approve those that qualify. The superintendent will review and initial this work. Three percent of the approved applications for Free/Reduced lunch will be verified by the Director of Food Services as a means to check for compliance with the grant agreement and with compliance requirements and checked again and initialed by the superintendent. The monthly

school lunch reimbursement request report will be completed by the head cook at each building and verified by the Director of Food Service.

FINDING 2013-003, INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO EDUCATION JOBS FUND

Federal Agency: Department of Education

Federal Program: Education Jobs Program

CFDA Number: 84.410

Federal Award Number and Year: FY 2011-2012

Pass-Through Entity: Indiana Department of Education

Contact Person: Judy Cole

Anticipated Correction Date: February 1, 2014

As a means to provide an internal control system, the corporation treasurer will prepare monthly financial reports. The superintendent will review and initial this work.

NETTLE CREEK SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 28, 2014, with Dr. William Doering, Superintendent of Schools; Cary Rhoades, President of the School Board; Judy Cole, Treasurer; and Georgia Templin, Deputy Treasurer. The officials concurred with our audit findings.