

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTH NEWTON SCHOOL CORPORATION
NEWTON COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
03/28/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marci Hall	07-01-11 to 12-31-14
Superintendent of Schools	Todd Rudnick	07-01-11 to 06-30-16
President of the School Board	Warren Johnson, Jr.	07-01-11 to 12-31-14



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTH NEWTON SCHOOL CORPORATION, NEWTON COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the South Newton 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 February 26, 2014, 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 and Schedule of Leases and Debt, 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

February 26, 2014



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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 SOUTH NEWTON SCHOOL CORPORATION, NEWTON 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 South Newton 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 February 26, 2014, 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 items 2013 - 001 and 2013-002 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 2013-002.

South Newton 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

February 26, 2014

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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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SOUTH NEWTON 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	\$ 1,738,613	\$ 6,251,932	\$ 6,494,542	\$ 85,462	\$ 1,581,465	\$ 6,239,422	\$ 6,649,805	\$ 95,633	\$ 1,266,715
Debt Service	175,820	1,290,543	1,045,000	(13,399)	407,964	1,295,648	1,075,300	(6,016)	622,296
Retirement/Severance Bond Debt Service	135,058	178,155	249,473	-	63,740	269,600	245,599	-	87,741
Capital Projects	451,259	1,107,260	1,009,726	-	548,793	1,176,095	1,046,280	-	678,608
School Transportation	326,981	825,750	758,339	(231,424)	162,968	860,173	700,608	-	322,533
School Bus Replacement	122,879	191,512	168,772	-	145,619	100,176	196,255	(75,000)	(25,460)
Rainy Day	977,952	-	282,041	250,000	945,911	-	280,060	47,500	713,351
Post-Retirement/Severance Future Benefits	231,169	-	-	(85,462)	145,707	-	-	(77,655)	68,052
School Lunch	290,294	482,988	477,270	-	296,012	517,641	471,014	-	342,639
Textbook Rental	23,330	74,553	203,202	13,399	(91,920)	77,269	43,656	33,516	(24,791)
Joint Services and Supply - Special Education Cooperative	-	-	-	-	-	-	1,654	-	(1,654)
Educational License Plates	544	188	-	-	732	150	-	-	882
Newton County Foundation Grant	-	5,248	3,636	-	1,612	-	1,612	-	-
Newton County Drug Coalition	1,481	-	1,481	-	-	-	-	-	-
NWISWD Grant	-	1,796	1,796	-	-	-	-	-	-
Elementary Donation Fund	-	2,000	-	-	2,000	4,463	5,652	-	811
Foundation 4 Star Grant - Costello	-	1,607	-	-	1,607	2,156	1,607	-	2,156
Foundation 4 Star Grant - Yeager	-	-	-	-	-	1,975	1,975	-	-
Foundation 4 Star Grant FY2012 - Arini	-	-	-	-	-	12,560	12,560	-	-
Foundation 4 Star Grant - Stenz	-	-	-	-	-	5,649	5,616	-	33
Foundation 4 Star Grant - Wheeler	-	-	-	-	-	2,679	2,679	-	-
Foundation 4 Star Grant FY2013 - Arini	-	-	-	-	-	3,165	2,545	-	620
Elementary Step Ahead Grant	-	-	-	-	-	200	-	-	200
Tobacco Prevention	62	-	-	-	62	-	62	-	-
WISCI Grant	1,563	-	1,094	-	469	-	469	-	-
Benton County Windfarms	113,400	-	-	-	113,400	-	-	-	113,400
Science Olympiad Grant	137	-	41	-	96	-	96	-	-
High Ability Grant 2010/11	12,518	-	12,518	-	-	-	-	-	-
High Ability Grant 2011/12	-	27,490	4,396	-	23,094	-	23,094	-	-
High Ability Grant 2012/13	-	-	-	-	-	28,962	28,897	-	65
Medicaid Reimbursement	11,940	4,411	-	-	16,351	2,323	-	(17,978)	696
Non-English Speaking Programs 2009/10	-	-	-	-	-	3,771	3,771	-	-
Non-English Speaking Grant	-	4,008	2,611	-	1,397	-	1,397	-	-
School Technology	2,448	3,781	4,824	-	1,405	4,143	4,491	-	1,057
Excess PTRC Distributions	18,576	16,475	-	(18,576)	16,475	(38)	-	-	16,437
Project Lead the Way	-	4,401	4,401	-	-	-	-	-	-
Title I 2010/11	(7,281)	20,228	12,947	-	-	-	-	-	-
Title I 2011/12	-	55,701	97,023	-	(41,322)	57,247	15,924	-	1
Title I 2012/13	-	-	-	-	-	97,831	109,929	-	(12,098)
Special Education Improvement	-	-	-	-	-	67,693	67,693	-	-
Drug Free Schools 2009/10	365	-	365	-	-	-	-	-	-
Medicaid Reimbursement - Federal	26,567	8,352	854	-	34,065	4,317	886	-	37,496
Title II 2009/10	(2,344)	13,136	10,792	-	-	-	-	-	-
Title II 2011/12	-	24,663	35,397	-	(10,734)	19,566	8,833	-	(1)
Title II 2012/13	-	-	1,975	-	(1,975)	36,237	36,034	-	(1,772)
Title II	-	-	-	-	-	-	3,125	-	(3,125)
Title III 2011/12	-	-	-	-	-	489	489	-	-
Special Education - Part B	(5,166)	31,103	25,936	-	1	-	-	-	1
Education Jobs	-	199,171	199,174	-	(3)	4,067	4,067	-	(3)
Payroll Funds	8,774	1,791,171	1,792,531	-	7,414	1,819,129	1,822,936	-	3,607
Prepaid Lunch Funds	2,990	235	65	-	3,160	(362)	-	-	2,798
Totals	\$ 4,659,929	\$ 12,617,858	\$ 12,902,222	\$ -	\$ 4,375,565	\$ 12,714,396	\$ 12,876,670	\$ -	\$ 4,213,291

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

SOUTH NEWTON 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.

SOUTH NEWTON 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.

F. Other Financing Sources and Uses

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

Transfers in 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.

SOUTH NEWTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

SOUTH NEWTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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.

SOUTH NEWTON 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. In some instances, this is a result of funds utilized for reimbursable grants. The reimbursement for expenditures made by the School Corporation were not received by June 30, 2013.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with South Newton School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2012 and 2013 totaled \$1,045,000 and \$1,075,300, respectively.

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.

SOUTH NEWTON 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post Retirement/ Severance Future Benefits	School Lunch
Cash and investments - beginning	\$ 1,738,613	\$ 175,820	\$ 135,058	\$ 451,259	\$ 326,981	\$ 122,879	\$ 977,952	\$ 231,169	\$ 290,294
Receipts:									
Local sources	265,204	1,290,543	178,155	1,085,805	825,750	191,512	-	-	213,617
Intermediate sources	1,689	-	-	-	-	-	-	-	-
State sources	5,985,039	-	-	-	-	-	-	-	2,875
Federal sources	-	-	-	-	-	-	-	-	266,305
Other	-	-	-	21,455	-	-	-	-	191
Total receipts	<u>6,251,932</u>	<u>1,290,543</u>	<u>178,155</u>	<u>1,107,260</u>	<u>825,750</u>	<u>191,512</u>	<u>-</u>	<u>-</u>	<u>482,988</u>
Disbursements:									
Current:									
Instruction	4,467,979	-	-	-	-	-	105,304	-	-
Support services	1,890,391	-	-	607,356	758,339	168,772	175,993	-	113
Noninstructional services	136,172	-	-	-	-	-	-	-	477,157
Facilities acquisition and construction	-	-	-	402,370	-	-	744	-	-
Debt services	-	1,045,000	249,473	-	-	-	-	-	-
Total disbursements	<u>6,494,542</u>	<u>1,045,000</u>	<u>249,473</u>	<u>1,009,726</u>	<u>758,339</u>	<u>168,772</u>	<u>282,041</u>	<u>-</u>	<u>477,270</u>
Excess (deficiency) of receipts over disbursements	<u>(242,610)</u>	<u>245,543</u>	<u>(71,318)</u>	<u>97,534</u>	<u>67,411</u>	<u>22,740</u>	<u>(282,041)</u>	<u>-</u>	<u>5,718</u>
Other financing sources (uses):									
Transfers in	85,462	-	-	-	18,576	-	250,000	-	-
Transfers out	-	(13,399)	-	-	(250,000)	-	-	(85,462)	-
Total other financing sources (uses)	<u>85,462</u>	<u>(13,399)</u>	<u>-</u>	<u>-</u>	<u>(231,424)</u>	<u>-</u>	<u>250,000</u>	<u>(85,462)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(157,148)</u>	<u>232,144</u>	<u>(71,318)</u>	<u>97,534</u>	<u>(164,013)</u>	<u>22,740</u>	<u>(32,041)</u>	<u>(85,462)</u>	<u>5,718</u>
Cash and investments - ending	<u>\$ 1,581,465</u>	<u>\$ 407,964</u>	<u>\$ 63,740</u>	<u>\$ 548,793</u>	<u>\$ 162,968</u>	<u>\$ 145,619</u>	<u>\$ 945,911</u>	<u>\$ 145,707</u>	<u>\$ 296,012</u>

SOUTH NEWTON 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	Joint Services and Supply - Special Education Cooperative	Educational License Plates	Newton County Foundation Grant	Newton County Drug Coalition	NWISWD Grant	Elementary Donation Fund	Foundation 4 Star Grant - Costello	Foundation 4 Star Grant - Yeager
Cash and investments - beginning	\$ 23,330	\$ -	\$ 544	\$ -	\$ 1,481	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	38,875	-	-	5,248	-	1,796	2,000	1,607	-
Intermediate sources	-	-	188	-	-	-	-	-	-
State sources	35,228	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	450	-	-	-	-	-	-	-	-
Total receipts	74,553	-	188	5,248	-	1,796	2,000	1,607	-
Disbursements:									
Current:									
Instruction	-	-	-	3,636	1,481	-	-	-	-
Support services	203,202	-	-	-	-	1,796	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Total disbursements	203,202	-	-	3,636	1,481	1,796	-	-	-
Excess (deficiency) of receipts over disbursements	(128,649)	-	188	1,612	(1,481)	-	2,000	1,607	-
Other financing sources (uses):									
Transfers in	13,399	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	13,399	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(115,250)	-	188	1,612	(1,481)	-	2,000	1,607	-
Cash and investments - ending	\$ (91,920)	\$ -	\$ 732	\$ 1,612	\$ -	\$ -	\$ 2,000	\$ 1,607	\$ -

SOUTH NEWTON 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)

	Foundation 4 Star Grant FY2012 - Arini	Foundation 4 Star Grant - Stenz	Foundation 4 Star Grant - Wheeler	Foundation 4 Star Grant FY2013 - Arini	Elementary Step Ahead Grant	Tobacco Prevention	WISCI Grant	Benton County Windfarms	Science Olympiad Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62	\$ 1,563	\$ 113,400	\$ 137
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	1,094	-	41
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	1,094	-	41
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	(1,094)	-	(41)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	-	(1,094)	-	(41)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62	\$ 469	\$ 113,400	\$ 96

SOUTH NEWTON 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)

	High Ability Grant 2010/11	High Ability Grant 2011/12	High Ability Grant 2012/13	Medicaid Reimbursement	Non-English Speaking Programs 2009/10	Non-English Speaking Grant	School Technology	Excess PTRC Distributions	Project Lead the Way
Cash and investments - beginning	\$ 12,518	\$ -	\$ -	\$ 11,940	\$ -	\$ -	\$ 2,448	\$ 18,576	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	27,490	-	4,411	-	4,008	3,781	16,475	4,401
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	27,490	-	4,411	-	4,008	3,781	16,475	4,401
Disbursements:									
Current:									
Instruction	12,518	4,396	-	-	-	2,611	-	-	-
Support services	-	-	-	-	-	-	4,824	-	4,401
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Total disbursements	12,518	4,396	-	-	-	2,611	4,824	-	4,401
Excess (deficiency) of receipts over disbursements	(12,518)	23,094	-	4,411	-	1,397	(1,043)	16,475	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(18,576)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(18,576)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,518)	23,094	-	4,411	-	1,397	(1,043)	(2,101)	-
Cash and investments - ending	\$ -	\$ 23,094	\$ -	\$ 16,351	\$ -	\$ 1,397	\$ 1,405	\$ 16,475	\$ -

SOUTH NEWTON 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)

	Title I 2010/11	Title I 2011/12	Title I 2012/13	Special Education Improvement	Drug Free Schools 2009/10	Medicaid Reimbursement Federal	Title II 2009/10	Title II 2011/12
Cash and investments - beginning	\$ (7,281)	\$ -	\$ -	\$ -	\$ 365	\$ 26,567	\$ (2,344)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	20,228	55,701	-	-	-	8,352	13,136	24,663
Other	-	-	-	-	-	-	-	-
Total receipts	20,228	55,701	-	-	-	8,352	13,136	24,663
Disbursements:								
Current:								
Instruction	12,875	92,231	-	-	365	854	10,792	35,397
Support services	-	3,362	-	-	-	-	-	-
Noninstructional services	72	1,430	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Total disbursements	12,947	97,023	-	-	365	854	10,792	35,397
Excess (deficiency) of receipts over disbursements	7,281	(41,322)	-	-	(365)	7,498	2,344	(10,734)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,281	(41,322)	-	-	(365)	7,498	2,344	(10,734)
Cash and investments - ending	\$ -	\$ (41,322)	\$ -	\$ -	\$ -	\$ 34,065	\$ -	\$ (10,734)

SOUTH NEWTON 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)

	Title II 2012/13	Title II	Title III 2011/12	Special Education - Part B	Education Jobs	Payroll Funds	Prepaid Lunch Funds	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (5,166)	\$ -	\$ 8,774	\$ 2,990	\$ 4,659,929
Receipts:								
Local sources	-	-	-	-	-	1,791,171	235	5,891,518
Intermediate sources	-	-	-	-	-	-	-	1,877
State sources	-	-	-	-	-	-	-	6,083,708
Federal sources	-	-	-	31,103	199,171	-	-	618,659
Other	-	-	-	-	-	-	-	22,096
Total receipts	-	-	-	31,103	199,171	1,791,171	235	12,617,858
Disbursements:								
Current:								
Instruction	1,975	-	-	25,936	142,032	1,792,531	65	6,714,113
Support services	-	-	-	-	57,142	-	-	3,875,691
Noninstructional services	-	-	-	-	-	-	-	614,831
Facilities acquisition and construction	-	-	-	-	-	-	-	403,114
Debt services	-	-	-	-	-	-	-	1,294,473
Total disbursements	1,975	-	-	25,936	199,174	1,792,531	65	12,902,222
Excess (deficiency) of receipts over disbursements	(1,975)	-	-	5,167	(3)	(1,360)	170	(284,364)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	367,437
Transfers out	-	-	-	-	-	-	-	(367,437)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,975)	-	-	5,167	(3)	(1,360)	170	(284,364)
Cash and investments - ending	\$ (1,975)	\$ -	\$ -	\$ 1	\$ (3)	\$ 7,414	\$ 3,160	\$ 4,375,565

SOUTH NEWTON 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post Retirement/ Severance Future Benefits	School Lunch
Cash and investments - beginning	\$ 1,581,465	\$ 407,964	\$ 63,740	\$ 548,793	\$ 162,968	\$ 145,619	\$ 945,911	\$ 145,707	\$ 296,012
Receipts:									
Local sources	302,139	1,295,648	269,600	1,176,095	860,173	100,176	-	-	218,381
Intermediate sources	1,151	-	-	-	-	-	-	-	-
State sources	5,936,132	-	-	-	-	-	-	-	2,881
Federal sources	-	-	-	-	-	-	-	-	295,603
Other	-	-	-	-	-	-	-	-	776
Total receipts	<u>6,239,422</u>	<u>1,295,648</u>	<u>269,600</u>	<u>1,176,095</u>	<u>860,173</u>	<u>100,176</u>	<u>-</u>	<u>-</u>	<u>517,641</u>
Disbursements:									
Current:									
Instruction	4,559,225	-	-	-	-	-	63,827	-	-
Support services	1,950,688	-	-	531,635	700,608	196,255	216,233	-	70
Noninstructional services	139,892	-	-	-	-	-	-	-	470,944
Facilities acquisition and construction	-	-	-	514,645	-	-	-	-	-
Debt services	-	1,075,300	245,599	-	-	-	-	-	-
Total disbursements	<u>6,649,805</u>	<u>1,075,300</u>	<u>245,599</u>	<u>1,046,280</u>	<u>700,608</u>	<u>196,255</u>	<u>280,060</u>	<u>-</u>	<u>471,014</u>
Excess (deficiency) of receipts over disbursements	<u>(410,383)</u>	<u>220,348</u>	<u>24,001</u>	<u>129,815</u>	<u>159,565</u>	<u>(96,079)</u>	<u>(280,060)</u>	<u>-</u>	<u>46,627</u>
Other financing sources (uses):									
Transfers in	95,633	-	-	-	-	-	75,000	-	-
Transfers out	-	(6,016)	-	-	-	(75,000)	(27,500)	(77,655)	-
Total other financing sources (uses)	<u>95,633</u>	<u>(6,016)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>	<u>47,500</u>	<u>(77,655)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(314,750)</u>	<u>214,332</u>	<u>24,001</u>	<u>129,815</u>	<u>159,565</u>	<u>(171,079)</u>	<u>(232,560)</u>	<u>(77,655)</u>	<u>46,627</u>
Cash and investments - ending	<u>\$ 1,266,715</u>	<u>\$ 622,296</u>	<u>\$ 87,741</u>	<u>\$ 678,608</u>	<u>\$ 322,533</u>	<u>\$ (25,460)</u>	<u>\$ 713,351</u>	<u>\$ 68,052</u>	<u>\$ 342,639</u>

SOUTH NEWTON 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)

	Textbook Rental	Joint Services and Supply - Special Education Cooperative	Educational License Plates	Newton County Foundation Grant	Newton County Drug Coalition	NWISWD Grant	Elementary Donation Fund	Foundation 4 Star Grant - Costello	Foundation 4 Star Grant - Yeager
Cash and investments - beginning	\$ (91,920)	\$ -	\$ 732	\$ 1,612	\$ -	\$ -	\$ 2,000	\$ 1,607	\$ -
Receipts:									
Local sources	35,540	-	-	-	-	-	4,463	2,156	1,975
Intermediate sources	-	-	150	-	-	-	-	-	-
State sources	41,279	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	450	-	-	-	-	-	-	-	-
Total receipts	77,269	-	150	-	-	-	4,463	2,156	1,975
Disbursements:									
Current:									
Instruction	-	1,654	-	1,612	-	-	5,652	-	1,975
Support services	43,656	-	-	-	-	-	-	1,607	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Total disbursements	43,656	1,654	-	1,612	-	-	5,652	1,607	1,975
Excess (deficiency) of receipts over disbursements	33,613	(1,654)	150	(1,612)	-	-	(1,189)	549	-
Other financing sources (uses):									
Transfers in	33,516	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	33,516	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	67,129	(1,654)	150	(1,612)	-	-	(1,189)	549	-
Cash and investments - ending	\$ (24,791)	\$ (1,654)	\$ 882	\$ -	\$ -	\$ -	\$ 811	\$ 2,156	\$ -

SOUTH NEWTON 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)

	Foundation 4 Star Grant FY2012 - Arini	Foundation 4 Star Grant - Stenz	Foundation 4 Star Grant - Wheeler	Foundation 4 Star Grant FY2013 - Arini	Elementary Step Ahead Grant	Tobacco Prevention	WISCI Grant	Benton County Windfarms	Science Olympiad Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62	\$ 469	\$ 113,400	\$ 96
Receipts:									
Local sources	12,560	5,649	2,679	3,165	200	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	12,560	5,649	2,679	3,165	200	-	-	-	-
Disbursements:									
Current:									
Instruction	12,560	5,616	2,679	2,545	-	62	469	-	96
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Total disbursements	12,560	5,616	2,679	2,545	-	62	469	-	96
Excess (deficiency) of receipts over disbursements	-	33	-	620	200	(62)	(469)	-	(96)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	33	-	620	200	(62)	(469)	-	(96)
Cash and investments - ending	\$ -	\$ 33	\$ -	\$ 620	\$ 200	\$ -	\$ -	\$ 113,400	\$ -

SOUTH NEWTON 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)

	High Ability Grant 2010/11	High Ability Grant 2011/12	High Ability Grant 2012/13	Medicaid Reimbursement	Non-English Speaking Programs 2009/10	Non-English Speaking Grant	School Technology	Excess PTRC Distributions	Project Lead the Way
Cash and investments - beginning	\$ -	\$ 23,094	\$ -	\$ 16,351	\$ -	\$ 1,397	\$ 1,405	\$ 16,475	\$ -
Receipts:									
Local sources	-	-	321	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	28,641	2,323	3,771	-	4,143	(38)	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	28,962	2,323	3,771	-	4,143	(38)	-
Disbursements:									
Current:									
Instruction	-	23,094	28,897	-	3,771	1,397	-	-	-
Support services	-	-	-	-	-	-	4,491	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Total disbursements	-	23,094	28,897	-	3,771	1,397	4,491	-	-
Excess (deficiency) of receipts over disbursements	-	(23,094)	65	2,323	-	(1,397)	(348)	(38)	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(17,978)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(17,978)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(23,094)	65	(15,655)	-	(1,397)	(348)	(38)	-
Cash and investments - ending	\$ -	\$ -	\$ 65	\$ 696	\$ -	\$ -	\$ 1,057	\$ 16,437	\$ -

SOUTH NEWTON 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)

	Title I 2010/11	Title I 2011/12	Title I 2012/13	Special Education Improvement	Drug Free Schools 2009/10	Medicaid Reimbursement Federal	Title II 2009/10	Title II 2011/12
Cash and investments - beginning	\$ -	\$ (41,322)	\$ -	\$ -	\$ -	\$ 34,065	\$ -	\$ (10,734)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	67,693	-	-	-	-
Federal sources	-	57,247	97,831	-	-	4,317	-	19,566
Other	-	-	-	-	-	-	-	-
Total receipts	-	57,247	97,831	67,693	-	4,317	-	19,566
Disbursements:								
Current:								
Instruction	-	15,844	97,925	67,693	-	886	-	8,833
Support services	-	9	9,938	-	-	-	-	-
Noninstructional services	-	71	2,066	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Total disbursements	-	15,924	109,929	67,693	-	886	-	8,833
Excess (deficiency) of receipts over disbursements	-	41,323	(12,098)	-	-	3,431	-	10,733
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	41,323	(12,098)	-	-	3,431	-	10,733
Cash and investments - ending	\$ -	\$ 1	\$ (12,098)	\$ -	\$ -	\$ 37,496	\$ -	\$ (1)

SOUTH NEWTON 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)

	Title II 2012/13	Title II	Title III 2011/12	Special Education - Part B	Education Jobs	Payroll Funds	Prepaid Lunch Funds	Totals
Cash and investments - beginning	\$ (1,975)	\$ -	\$ -	\$ 1	\$ (3)	\$ 7,414	\$ 3,160	\$ 4,375,565
Receipts:								
Local sources	-	-	-	-	-	1,819,129	(362)	6,109,687
Intermediate sources	-	-	-	-	-	-	-	1,301
State sources	-	-	-	-	-	-	-	6,086,825
Federal sources	36,237	-	489	-	4,067	-	-	515,357
Other	-	-	-	-	-	-	-	1,226
Total receipts	<u>36,237</u>	<u>-</u>	<u>489</u>	<u>-</u>	<u>4,067</u>	<u>1,819,129</u>	<u>(362)</u>	<u>12,714,396</u>
Disbursements:								
Current:								
Instruction	24,034	3,125	489	-	4,067	1,822,936	-	6,760,963
Support services	12,000	-	-	-	-	-	-	3,667,190
Noninstructional services	-	-	-	-	-	-	-	612,973
Facilities acquisition and construction	-	-	-	-	-	-	-	514,645
Debt services	-	-	-	-	-	-	-	1,320,899
Total disbursements	<u>36,034</u>	<u>3,125</u>	<u>489</u>	<u>-</u>	<u>4,067</u>	<u>1,822,936</u>	<u>-</u>	<u>12,876,670</u>
Excess (deficiency) of receipts over disbursements	<u>203</u>	<u>(3,125)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,807)</u>	<u>(362)</u>	<u>(162,274)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	204,149
Transfers out	-	-	-	-	-	-	-	(204,149)
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>203</u>	<u>(3,125)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,807)</u>	<u>(362)</u>	<u>(162,274)</u>
Cash and investments - ending	<u>\$ (1,772)</u>	<u>\$ (3,125)</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (3)</u>	<u>\$ 3,607</u>	<u>\$ 2,798</u>	<u>\$ 4,213,291</u>

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SOUTH NEWTON SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
South Newton School Building Corporation	Building lease payments	\$ 1,075,300	01-01-96	01-15-23
Total of annual lease payments		<u>\$ 1,075,300</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable:			
The Bank of New York Mellon	Pension bond payments	\$ 865,432	\$ 124,345
PNC Equipment Finance	Energy savings payments	1,039,646	257,488
Cooperative School Services	Joint service loan	<u>80,554</u>	<u>9,477</u>
Totals		<u>\$ 1,985,632</u>	<u>\$ 391,309</u>

SOUTH NEWTON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented in this report included the following funds with overdrawn cash balances at June 30, 2012 and 2013:

Fund	Amount Overdrawn
June 30, 2012	
Textbook Rental	\$ 91,920
June 30, 2013	
School Bus Replacement	25,460
Textbook Rental	24,791

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 7)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The designated building level personnel did not provide written certification that the detailed student records maintained to support the Average Daily Membership claimed was accurate.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

COLLECTIVE BARGAINING AGREEMENTS

The 2012-2013 collective bargaining agreement presented for audit contained the following items prohibited by Indiana Code 20-29-6-4.5:

Hiring, evaluation, promotion, demotion, transfer, assignment, and retention of certificated employees:

- (1) Article III J states in part: "The Superintendent shall have the authority to hire a staff member with previous experience and education at a salary not to exceed the salary they were making at previous employment. . . ."

SOUTH NEWTON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) Article III C states in part: ". . . The parties understand that the Board retains its sole authority to hire, promote, assign, transfer, retain, or remove any person from any position for which additional compensation is paid based on the recommendation of the Superintendent."

Unpaid Leave:

- (1) Article II E. states in part: "After her available sick leave has been used, the Employee may be absent without pay . . ."

Management's rights:

- (1) Article III C states in part: ". . . The parties understand that the Board retains its sole authority to hire, promote, assign, transfer, retain, or remove any person from any position for which additional compensation is paid based on the recommendation of the Superintendent."

Reimbursements:

- (1) Article II H states in part: "Each employee who requests to attend a conference. . . . will be reimbursed . . ."
- (2) Article III H states in part: "Teachers shall be reimbursed for graduate courses. . . . Payment shall occur one time per year . . . corporation shall pay no more than \$10,000 in any given calendar year . . ."
- (3) Article III I states in part: "An employee who is not provided a car by the Corporation . . . shall be reimburse at a per-mile rate consistent with the Internal Revenue Service mileage allotment."

Boilerplate contract terms not authorized by statute, such as Supremacy (supersedes any other agreements); Amendment to agreement; Severability clause (a/k/a conformity to law clause, savings clause, etc); or Incorporation of individual teacher contracts into CBA:

- (1) Article V states in part: ". . . The following amendments are made to the Contract agreement. . . ."

Indiana Code 20-29-6-4 states:

"(a) A school employer shall bargain collectively with the exclusive representative on the following: (1) Salary. (2) Wages. (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11. (b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

SOUTH NEWTON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 20-29-6-4.5 states:

"(a) For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following: (1) The school calendar. (2) Teacher dismissal procedures and criteria. (3) Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards. (4) The ability of a school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity. (5) Any subject not expressly listed in section 4 of this chapter.

(b) A subject set forth in subsection (a) that may not be bargained collectively may not be included in an agreement entered into under this article."

State Board of Accounts will review school corporations' collective bargaining agreements during the audit process to determine whether the agreements contained prohibited subjects of bargaining. . . . Financial losses related to a corporation's inclusion of prohibited subjects may be the personal obligation of the responsible school official or employee. (The School Administrator and Uniform Compliance Guidelines Volume 198, June 2012)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE SOUTH NEWTON SCHOOL CORPORATION, NEWTON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the South Newton 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)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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 2013-003 and 2013-005 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.

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

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

February 26, 2014

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.

SOUTH NEWTON 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	FY 2012	\$ 74,873	\$ -
			FY 2013	-	80,258
				<u>74,873</u>	<u>80,258</u>
Total - School Breakfast Program				<u>74,873</u>	<u>80,258</u>
National School Lunch Program	Indiana Department of Education	10.555			
School Lunch			FY 2012	216,403	-
			FY 2013	-	240,342
After School Snack Program			FY 2012	1,192	-
			FY 2013	-	2,137
				<u>217,595</u>	<u>242,479</u>
Total - National School Lunch Program				<u>217,595</u>	<u>242,479</u>
Summer Food Service Program for Children	Indiana Department of Education	10.559			
			FY2013	-	14,819
				<u>-</u>	<u>14,819</u>
Total - Summer Food Service Program for Children				<u>-</u>	<u>14,819</u>
Total - Child Nutrition Cluster				<u>292,468</u>	<u>337,556</u>
Total - Department of Agriculture				<u>292,468</u>	<u>337,556</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			2010/2011	20,228	-
			2011/2012	55,701	57,247
			2012/2013	-	97,831
				<u>75,929</u>	<u>155,078</u>
Total - Title I Grants to Local Educational Agencies				<u>75,929</u>	<u>155,078</u>
Total - Title I, Part A Cluster				<u>75,929</u>	<u>155,078</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			FY09	13,136	-
			FY10	24,663	19,566
			FY11	-	36,237
				<u>37,799</u>	<u>55,803</u>
Total - Improving Teacher Quality State Grants				<u>37,799</u>	<u>55,803</u>

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

SOUTH NEWTON SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013
(Continued)

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 Education (continued)</u>					
Grants for Enhanced Assessment Instruments	Wabash Valley Education Center	84.368	FY13	-	489
Total - Grants for Enhanced Assessment Instruments				-	489
Special Education Cluster (IDEA)					
Special Education - Grants to States Special Education Improvement Award	Indiana Department of Education	84.027	A58-3-13DL-0092	-	67,693
Special Education - Grants to States Special Education - Part B 611	Cooperative School Services	84.027	14212-051-PN01	11,808	-
			14213-051-PN01	-	12,842
Special Education Summer School			14211-051-PN01	19,064	-
			14212-051-PN01	-	24,755
Total - Special Education Grants to States				30,872	105,290
ARRA - Special Education Grants to States, Recovery Act	Cooperative School Services	84.391	33310-051-SN01	31,103	-
Total - Special Education Cluster (IDEA)				61,975	105,290
Safe and Drug-Free Schools and Communities - State Grants Teaching American History	Indiana Department of Education	84.186	FY09	365	-
Education Jobs Fund	Indiana Department of Education	84.410	FY12	199,171	4,067
Total - Department of Education				375,239	320,727
Total federal awards expended				\$ 667,707	\$ 658,283

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

SOUTH NEWTON 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 South Newton 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	\$ 6,726	\$ 6,793
National School Lunch Program	10.555	19,439	20,341

SOUTH NEWTON 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 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

SOUTH NEWTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. **Preparing Financial Statement:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statements and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Corporation has no process to identify or communicate corrective actions to improve controls.

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 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 Indiana Public School Corporations, Chapter 9)

***FINDING 2013-002 – INTERNAL CONTROL AND COMPLIANCE
OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper control system to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper internal controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: The Special Education Cluster was materially understated by \$68,469 due to funding received through the School Corporation's Cooperative not being included. Other individual immaterial errors were also noted. These misstatements resulted in the SEFA being materially misstated in total. 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 controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

SOUTH NEWTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Indiana 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."

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO SCHOOL BREAKFAST PROGRAM, NATIONAL SCHOOL LUNCH PROGRAM, AND SUMMER FOOD SERVICE PROGRAM FOR CHILDREN

SOUTH NEWTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children
CFDA Numbers: 10.553; 10.555; and 10.559
Federal Award Years (or Other Identifying Number): FY 2012; FY 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 all of the compliance requirements that have a direct and material effect to the programs. This includes the following compliance requirements; Allowable Activities, Allowable Costs, Cash Management, Eligibility, Period of Availability, Procurement, Suspension, and Debarment, Program Income, 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 programs.

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 programs 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 all compliance requirements that have a direct and material effect to the programs.

FINDING 2013-004 - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Year (or Other Identifying Number): FY 2013
Pass-Through Entity: Indiana Department of Education

SOUTH NEWTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

In the school fiscal year 2012, it was determined that the School Corporation's average weighted price paid for school lunch was less than the difference in the meal Federal Reimbursement for paid and free lunches. The School Corporation did not increase school lunch prices for the following school year, fiscal year 2013, as required to meet Paid Lunch Equity requirements.

7 CFR 210.14(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

- (1) *Calculation procedures.* Each school food authority shall:
 - (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
 - (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
 - (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section.
- (2) *Average paid lunch price is equal to/greater than the reimbursement difference.* When the average paid lunch price from the prior school year is equal to or greater than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average paid lunch price for the current school year that is not less than the difference identified in (e)(1)(iii) of this section; except that, the school food authority may use the procedure in paragraph (e)(4)(ii) of this section when establishing prices of paid lunches.
- (3) *Average lunch price is lower than the reimbursement difference.* When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding: (i) 2 percent; and (ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year.
- (4) *Price Adjustments.*
 - (i) *Maximum required price increase.* The maximum annual average price increase required under this paragraph shall not exceed ten cents.
 - (ii) *Rounding of paid lunch prices.* Any school food authority may round the adjusted price of the paid lunches down to the nearest five cents.

SOUTH NEWTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 the School Corporation monitor the price of the school lunch to meet the Paid Lunch Equity requirements of the National School Lunch Program.

FINDING 2013-005 - 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): FY13

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 all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; Allowable Activities, Allowable Costs, Cash Management, Period of Availability, and Reporting. 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 program.

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 all compliance requirements that have a direct and material effect to the program.



*... a great place
to learn & work*

South Newton School Corporation

13232 S 50 E

Kentland, IN 47951

Todd Rudnick
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

Corrective Action Plan

Contact Person: Marci Hall, Treasurer
Email: mhall@newton.k12.in.us

FINDING 2013 - 001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

1. The School Corporation will review its internal control procedures on lack of segregation of duties. All efforts will be given to better segregate duties between limited staff.
2. The School Corporation will review its internal control procedures on preparing financial statements. All efforts will be given to verify and sign off on financial statements.
3. The School Corporation will review its internal control procedures on monitoring of controls. All efforts will be given to monitor more effectively and record any actions taken.

FINDING 2013 - 002 - Schedule of Federal Expenditures

Control of the federal financial records from pass-through agencies will be more closely monitored to identify federal programs. The SEFA will be prepared to the best attempt possible by identifying all federal funds received.

FINDING 2013 - 003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program and National School Lunch Program and Summer Food Service Program for Children
CFDA Number: 10.553; 10.555; 10.559
Federal Award Number and Year (or Other Identifying Number): FY2011-12; FY2012-13
Pass-Through Entity: Indiana Department of Education

The School Corporation will review its internal control procedures on lack of segregation of duties. All efforts will be given to better segregate duties regarding the School Lunch Program. Verification of forms will be signed off by the Food Service Director and the Corporation Treasurer.

FINDING 2013 - 004 - Paid Lunch Equity

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program and National School Lunch Program and Summer Food Service Program for Children
CFDA Number: 10.553; 10.555; 10.559
Federal Award Number and Year (or Other Identifying Number): FY2011-12; FY2012-13
Pass-Through Entity: Indiana Department of Education

The School Corporation will closely monitor the Paid Lunch Equity requirements and make the appropriate changes to the school lunch price as required.

FINDING 2013 - 005 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO EDUCATION JOB FUND

Federal Agency: Department of Education
Federal Program: Education Job Fund
CFDA Number: 84.410
Federal Award Number and Year (or Other Identifying Number): Fund 7965
Pass-Through Entity: Indiana Department of Education

The School Corporation will review its internal control procedures on lack of segregation of duties. All efforts will be given to better segregate duties between limited staff.

Signature: *Maria Hall*
Title: *Treasurer*
Date: *2/26/14*

SOUTH NEWTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2014, with Warren Johnson, Jr., President of the School Board; Todd Rudnick, Superintendent of Schools; Marci Hall, Treasurer; and Christine Barce, Food Service Director.