

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

NORTHEASTERN WAYNE SCHOOL CORPORATION  
WAYNE COUNTY, INDIANA

July 1, 2011 to June 30, 2013



**FILED**

03/31/2014



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rose Kay Reed	07-01-11 to 06-30-14
Superintendent of Schools	Stephen L. Bailey Dr. Timothy Edsell Laura Blessing	07-01-11 to 12-31-11 01-01-12 to 09-30-13 10-01-13 to 06-30-14
President of the School Board	Samuel Hubbell Doug Jay Brad Hester	07-01-11 to 12-31-11 01-01-13 to 12-31-13 01-01-14 to 12-31-14



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NORTHEASTERN WAYNE  
SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Northeastern Wayne 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 March 20, 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, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

  
Paul D. Joyce, CPA  
State Examiner

March 20, 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 NORTHEASTERN WAYNE  
SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Northeastern Wayne 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 March 20, 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.

***Northeastern Wayne 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

March 20, 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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NORTHEASTERN WAYNE 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			Other Financing Sources (Uses)	Cash and Investments 06-30-12			Other Financing Sources (Uses)	Cash and Investments 06-30-13		
	Receipts	Disbursements		Receipts	Disbursements		Receipts	Disbursements		Receipts	Disbursements
General	\$ 1,192,900	\$ 6,804,518	\$ 6,824,522	\$ (35,482)	\$ 1,137,414	\$ 7,113,464	\$ 7,172,379	\$ 935	\$ 1,079,434		
Debt Service	508,850	879,093	874,335	-	513,608	894,766	885,334	-	523,040		
Retirement/Severance Bond Debt Service	15,875	240,927	245,400	-	11,402	259,130	249,589	822	21,765		
Capital Projects	913,082	570,174	685,867	(17,974)	779,415	570,275	945,216	-	404,474		
School Transportation	221,685	597,253	604,102	(35,000)	179,836	632,115	674,551	-	137,400		
School Bus Replacement	223,186	125,163	159,919	-	188,430	129,400	220,774	-	97,056		
Rainy Day	170,000	-	8,000	78,251	240,251	-	40,312	-	199,939		
Retirement/Severance Bond	585,259	-	55,292	-	529,967	-	127,766	-	402,201		
Construction 2001	5,268	-	-	-	5,268	-	-	-	5,268		
Construction	585,995	801	131,081	-	455,715	333	-	-	456,048		
Construction - Common School	45,016	-	45,016	-	-	-	-	-	-		
School Lunch	138,085	512,188	532,655	-	117,618	532,095	467,913	-	181,800		
Textbook Rental	47,696	110,498	129,847	-	28,347	118,847	106,858	-	40,336		
Levy Excess	49,956	-	-	-	49,956	-	-	-	49,956		
Educational License Plates	2,231	150	-	-	2,381	94	799	-	1,676		
School Library Printed Material	17	-	-	-	17	-	17	-	-		
CAPE Grant	4,876	-	4,850	-	26	-	-	-	26		
Renaissance Program	1,485	-	-	-	1,485	-	-	-	1,485		
Gifted and Talented	9,137	-	9,137	-	-	28,102	23,049	-	5,053		
Gifted and Talented 2011-12	-	28,391	26,446	-	1,945	-	1,945	-	-		
Medicaid Reimbursement	14,420	3,300	-	(2,230)	15,490	587	-	(1,656)	14,421		
School Technology	84,937	34,062	91,455	-	27,544	39,057	46,730	-	19,871		
Technology Grants [IC 20-40-15]	484	-	-	-	484	-	484	-	-		
Performance Based Awards	1,477	-	-	-	1,477	-	341	-	1,136		
Miscellaneous Programs	72,686	21,572	10,851	-	83,407	27,785	19,230	-	91,962		
Special Ed Assistive Tech Grant	-	69,760	69,760	-	-	-	-	-	-		
Title I 2012-2013	-	-	-	-	-	228,330	228,330	-	-		
Title I 2011-2012	-	213,289	213,289	-	-	-	-	-	-		
IDEA, Part B LEA Capacity Building (Sliver) Grants	-	-	-	-	-	70,000	70,000	-	-		
Medicaid Reimbursement - Federal	9,792	6,685	451	(136)	15,890	1,191	336	(101)	16,644		
Improving Teaching Quality, Title II, Part A	(850)	4,203	3,353	-	-	29,542	35,448	-	(5,906)		
Title II Part A 2011-12	-	36,082	36,082	-	-	-	-	-	-		
ITQ, Enhanced Education Through Technology, Title II, Part D	-	260,900	288,943	12,571	(15,472)	41,100	25,628	-	-		
Rural Schools and Low Income Program - Pass Through State	-	-	-	-	-	22,492	22,492	-	-		
Title I - Grants to LEAs	4,541	3,531	8,072	-	-	-	-	-	-		
Education Jobs	-	212,047	212,047	-	-	4,330	4,330	-	-		
Payroll Withholdings	-	1,644,087	1,644,087	-	-	1,777,103	1,777,103	-	-		
Totals	\$ 4,908,086	\$ 12,378,674	\$ 12,914,859	\$ -	\$ 4,371,901	\$ 12,520,138	\$ 13,146,954	\$ -	\$ 3,745,085		

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

NORTHEASTERN WAYNE 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.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

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

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

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

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

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

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

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

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

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.

NORTHEASTERN WAYNE 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.

NORTHEASTERN WAYNE 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.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of reimbursements for the disbursements made by the School Corporation that were not received by June 30, 2012, and June 30, 2013.

**Note 8. Holding Corporations**

The School Corporation has entered into a capital lease with the Northeastern Wayne Jr./Sr. High 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 \$655,000 and \$666,000, respectively.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. Subsequent Events**

The School Corporation refinanced its General Obligation Pension Bonds in the amount of \$2,075,000 in December 2013.

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## 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.

NORTHEASTERN WAYNE 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	Retirement/ Severance Bond	Construction 2001
Cash and investments - beginning	\$ 1,192,900	\$ 508,850	\$ 15,875	\$ 913,082	\$ 221,685	\$ 223,186	\$ 170,000	\$ 585,259	\$ 5,268
Receipts:									
Local sources	11,607	879,093	240,927	560,174	584,580	125,163	-	-	-
Intermediate sources	22	-	-	-	-	-	-	-	-
State sources	6,583,275	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	209,614	-	-	10,000	12,673	-	-	-	-
Total receipts	6,804,518	879,093	240,927	570,174	597,253	125,163	-	-	-
Disbursements:									
Current:									
Instruction	4,721,011	-	-	-	-	-	-	-	-
Support services	2,076,296	-	-	257,028	604,102	159,919	-	55,292	-
Noninstructional services	27,215	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	428,839	-	-	8,000	-	-
Debt services	-	874,335	245,400	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	6,824,522	874,335	245,400	685,867	604,102	159,919	8,000	55,292	-
Excess (deficiency) of receipts over disbursements	(20,004)	4,758	(4,473)	(115,693)	(6,849)	(34,756)	(8,000)	(55,292)	-
Other financing sources (uses):									
Transfers in	20,340	-	-	-	-	-	78,251	-	-
Transfers out	(55,822)	-	-	(17,974)	(35,000)	-	-	-	-
Total other financing sources (uses)	(35,482)	-	-	(17,974)	(35,000)	-	78,251	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(55,486)	4,758	(4,473)	(133,667)	(41,849)	(34,756)	70,251	(55,292)	-
Cash and investments - ending	\$ 1,137,414	\$ 513,608	\$ 11,402	\$ 779,415	\$ 179,836	\$ 188,430	\$ 240,251	\$ 529,967	\$ 5,268

NORTHEASTERN WAYNE 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)

	Construction	Construction - Common School	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	School Library Printed Material	CAPE Grant	Renaissance Program
Cash and investments - beginning	\$ 585,995	\$ 45,016	\$ 138,085	\$ 47,696	\$ 49,956	\$ 2,231	\$ 17	\$ 4,876	\$ 1,485
Receipts:									
Local sources	801	-	288,351	110,498	-	-	-	-	-
Intermediate sources	-	-	-	-	-	150	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	223,837	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	801	-	512,188	110,498	-	150	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	4,850	-
Support services	-	-	-	129,847	-	-	-	-	-
Noninstructional services	-	-	532,655	-	-	-	-	-	-
Facilities acquisition and construction	131,081	45,016	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	131,081	45,016	532,655	129,847	-	-	-	4,850	-
Excess (deficiency) of receipts over disbursements	(130,280)	(45,016)	(20,467)	(19,349)	-	150	-	(4,850)	-
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	(130,280)	(45,016)	(20,467)	(19,349)	-	150	-	(4,850)	-
Cash and investments - ending	\$ 455,715	\$ -	\$ 117,618	\$ 28,347	\$ 49,956	\$ 2,381	\$ 17	\$ 26	\$ 1,485

NORTHEASTERN WAYNE 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)

	Gifted and Talented	Gifted and Talented 2011-12	Medicaid Reimbursement	School Technology	Technology Grants [IC 20-40-15]	Performance Based Awards	Miscellaneous Programs	Special Ed Assistive Tech Grant	Title I 2011-2012
Cash and investments - beginning	\$ 9,137	\$ -	\$ 14,420	\$ 84,937	\$ 484	\$ 1,477	\$ 72,686	\$ -	\$ -
Receipts:									
Local sources	-	-	-	28,308	-	-	21,572	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	28,391	3,300	5,754	-	-	-	69,760	-
Federal sources	-	-	-	-	-	-	-	-	213,289
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	28,391	3,300	34,062	-	-	21,572	69,760	213,289
Disbursements:									
Current:									
Instruction	9,137	26,446	-	91,455	-	-	10,851	69,760	212,789
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	500
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	9,137	26,446	-	91,455	-	-	10,851	69,760	213,289
Excess (deficiency) of receipts over disbursements	(9,137)	1,945	3,300	(57,393)	-	-	10,721	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(2,230)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(2,230)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,137)	1,945	1,070	(57,393)	-	-	10,721	-	-
Cash and investments - ending	\$ -	\$ 1,945	\$ 15,490	\$ 27,544	\$ 484	\$ 1,477	\$ 83,407	\$ -	\$ -

NORTHEASTERN WAYNE 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)

	Medicaid Reimbursement - Federal	Improving Teaching Quality, Title II, Part A	Title II Part A 2011-12	ITQ, Enhanced Education Through Technology, Title II, Part D	Title I - Grants to LEAs	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 9,792	\$ (850)	\$ -	\$ -	\$ 4,541	\$ -	\$ -	\$ 4,908,086
Receipts:								
Local sources	-	-	-	-	-	-	-	2,851,074
Intermediate sources	-	-	-	-	-	-	-	172
State sources	-	-	-	-	-	-	-	6,690,480
Federal sources	6,685	4,203	36,082	260,900	3,531	212,047	-	960,574
Other	-	-	-	-	-	-	1,644,087	1,876,374
Total receipts	6,685	4,203	36,082	260,900	3,531	212,047	1,644,087	12,378,674
Disbursements:								
Current:								
Instruction	-	3,353	36,082	288,943	8,072	212,047	-	5,694,796
Support services	451	-	-	-	-	-	-	3,282,935
Noninstructional services	-	-	-	-	-	-	-	560,370
Facilities acquisition and construction	-	-	-	-	-	-	-	612,936
Debt services	-	-	-	-	-	-	-	1,119,735
Nonprogrammed charges	-	-	-	-	-	-	1,644,087	1,644,087
Total disbursements	451	3,353	36,082	288,943	8,072	212,047	1,644,087	12,914,859
Excess (deficiency) of receipts over disbursements	6,234	850	-	(28,043)	(4,541)	-	-	(536,185)
Other financing sources (uses):								
Transfers in	-	-	-	12,571	-	-	-	111,162
Transfers out	(136)	-	-	-	-	-	-	(111,162)
Total other financing sources (uses)	(136)	-	-	12,571	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,098	850	-	(15,472)	(4,541)	-	-	(536,185)
Cash and investments - ending	\$ 15,890	\$ -	\$ -	\$ (15,472)	\$ -	\$ -	\$ -	\$ 4,371,901

NORTHEASTERN WAYNE 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	Retirement/ Severance Bond	Construction 2001
Cash and investments - beginning	\$ 1,137,414	\$ 513,608	\$ 11,402	\$ 779,415	\$ 179,836	\$ 188,430	\$ 240,251	\$ 529,967	\$ 5,268
Receipts:									
Local sources	49,189	894,766	259,130	570,275	609,176	129,400	-	-	-
Intermediate sources	12	-	-	-	-	-	-	-	-
State sources	7,008,609	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	55,654	-	-	-	22,939	-	-	-	-
Total receipts	<u>7,113,464</u>	<u>894,766</u>	<u>259,130</u>	<u>570,275</u>	<u>632,115</u>	<u>129,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	4,995,484	-	-	-	-	-	-	-	-
Support services	2,160,586	-	-	329,326	674,551	220,774	34,250	127,766	-
Noninstructional services	16,309	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	615,890	-	-	6,062	-	-
Debt services	-	885,334	249,589	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>7,172,379</u>	<u>885,334</u>	<u>249,589</u>	<u>945,216</u>	<u>674,551</u>	<u>220,774</u>	<u>40,312</u>	<u>127,766</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(58,915)</u>	<u>9,432</u>	<u>9,541</u>	<u>(374,941)</u>	<u>(42,436)</u>	<u>(91,374)</u>	<u>(40,312)</u>	<u>(127,766)</u>	<u>-</u>
Other financing sources (uses):									
Transfers in	1,757	-	822	-	-	-	-	-	-
Transfers out	(822)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>935</u>	<u>-</u>	<u>822</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>(57,980)</u>	<u>9,432</u>	<u>10,363</u>	<u>(374,941)</u>	<u>(42,436)</u>	<u>(91,374)</u>	<u>(40,312)</u>	<u>(127,766)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,079,434</u>	<u>\$ 523,040</u>	<u>\$ 21,765</u>	<u>\$ 404,474</u>	<u>\$ 137,400</u>	<u>\$ 97,056</u>	<u>\$ 199,939</u>	<u>\$ 402,201</u>	<u>\$ 5,268</u>

NORTHEASTERN WAYNE 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)

	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	School Library Printed Material	CAPE Grant	Renaissance Program
Cash and investments - beginning	\$ 455,715	\$ 117,618	\$ 28,347	\$ 49,956	\$ 2,381	\$ 17	\$ 26	\$ 1,485
Receipts:								
Local sources	333	283,982	118,847	-	-	-	-	-
Intermediate sources	-	-	-	-	94	-	-	-
State sources	-	6,839	-	-	-	-	-	-
Federal sources	-	241,274	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>333</u>	<u>532,095</u>	<u>118,847</u>	<u>-</u>	<u>94</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	-	17	-	-
Support services	-	-	106,858	-	799	-	-	-
Noninstructional services	-	467,913	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>467,913</u>	<u>106,858</u>	<u>-</u>	<u>799</u>	<u>17</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>333</u>	<u>64,182</u>	<u>11,989</u>	<u>-</u>	<u>(705)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>333</u>	<u>64,182</u>	<u>11,989</u>	<u>-</u>	<u>(705)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 456,048</u>	<u>\$ 181,800</u>	<u>\$ 40,336</u>	<u>\$ 49,956</u>	<u>\$ 1,676</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 1,485</u>

NORTHEASTERN WAYNE 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)

	Gifted and Talented	Gifted and Talented 2011-12	Medicaid Reimbursement	School Technology	Technology Grants [IC 20-40-15]	Performance Based Awards	Miscellaneous Programs	Title I 2012-2013
Cash and investments - beginning	\$ -	\$ 1,945	\$ 15,490	\$ 27,544	\$ 484	\$ 1,477	\$ 83,407	\$ -
Receipts:								
Local sources	-	-	-	32,826	-	-	27,785	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	28,102	-	587	6,231	-	-	-	-
Federal sources	-	-	-	-	-	-	-	228,330
Other	-	-	-	-	-	-	-	-
Total receipts	28,102	-	587	39,057	-	-	27,785	228,330
Disbursements:								
Current:								
Instruction	23,049	1,945	-	46,730	484	341	19,230	224,064
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	4,266
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	23,049	1,945	-	46,730	484	341	19,230	228,330
Excess (deficiency) of receipts over disbursements	5,053	(1,945)	587	(7,673)	(484)	(341)	8,555	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(1,656)	-	-	-	-	-
Total other financing sources (uses)	-	-	(1,656)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,053	(1,945)	(1,069)	(7,673)	(484)	(341)	8,555	-
Cash and investments - ending	\$ 5,053	\$ -	\$ 14,421	\$ 19,871	\$ -	\$ 1,136	\$ 91,962	\$ -

NORTHEASTERN WAYNE 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)

	IDEA, Part B - LEA Capacity Building (Sliver) Grants	Medicaid Reimbursement - Federal	Improving Teaching Quality, Title II, Part A	ITQ, Enhanced Education Through Technology, Title II, Part D	Rural Schools and Low Income Program - Pass Through State	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ 15,890	\$ -	\$ (15,472)	\$ -	\$ -	\$ -	\$ 4,371,901
Receipts:								
Local sources	-	-	-	-	-	-	-	2,975,709
Intermediate sources	-	-	-	-	-	-	-	106
State sources	-	-	-	-	-	-	-	7,050,368
Federal sources	70,000	1,191	29,542	41,100	22,492	4,330	-	638,259
Other	-	-	-	-	-	-	1,777,103	1,855,696
Total receipts	<u>70,000</u>	<u>1,191</u>	<u>29,542</u>	<u>41,100</u>	<u>22,492</u>	<u>4,330</u>	<u>1,777,103</u>	<u>12,520,138</u>
Disbursements:								
Current:								
Instruction	70,000	-	35,448	25,628	22,492	4,330	-	5,469,242
Support services	-	336	-	-	-	-	-	3,655,246
Noninstructional services	-	-	-	-	-	-	-	488,488
Facilities acquisition and construction	-	-	-	-	-	-	-	621,952
Debt services	-	-	-	-	-	-	-	1,134,923
Nonprogrammed charges	-	-	-	-	-	-	1,777,103	1,777,103
Total disbursements	<u>70,000</u>	<u>336</u>	<u>35,448</u>	<u>25,628</u>	<u>22,492</u>	<u>4,330</u>	<u>1,777,103</u>	<u>13,146,954</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>855</u>	<u>(5,906)</u>	<u>15,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(626,816)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	2,579
Transfers out	-	(101)	-	-	-	-	-	(2,579)
Total other financing sources (uses)	<u>-</u>	<u>(101)</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>-</u>	<u>754</u>	<u>(5,906)</u>	<u>15,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(626,816)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 16,644</u>	<u>\$ (5,906)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,745,085</u>

NORTHEASTERN WAYNE SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Northeastern Wayne Jr./Sr. High School Building Corp	Jr./Sr. High School Building	\$ 675,500	06-30-06	12-31-30
Apple Inc.	Computer Hardware	<u>86,165</u>	06-10-13	01-15-17
		<u>\$ 761,665</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Improvements to Jr./Sr. High School Building	\$ 2,456,158	\$ 219,334
General obligation bonds	Pension obligations	<u>2,075,000</u>	<u>122,427</u>
Totals		<u>\$ 4,531,158</u>	<u>\$ 341,761</u>

NORTHEASTERN WAYNE SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2013

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

	Ending Balance
Governmental activities:	
Land	\$ 48,000
Buildings	21,126,498
Improvements other than buildings	1,802,745
Machinery, equipment, and vehicles	2,857,963
Total capital assets	\$ 25,835,206

NORTHEASTERN WAYNE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**COLLECTION OF AMOUNTS DUE**

As noted in prior Report B40169 and during the current audit period, latchkey delinquencies were not handled as noted in the guidelines for the program. The After School Child Care Handbook states in part: "Fees must be paid in full every two weeks. Charges beyond this are considered delinquent and may result in your child not being able to use the child care program."

The School Corporation does not have a policy for the collection of delinquent textbook rental collections and no attempts were made to collect the delinquencies after each fiscal year end.

Transfer tuition was not charged in fiscal year 2011-2012 even though there were students who resided outside the state of Indiana and should have been charged.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**IPAD INVENTORY**

The School Corporation purchased 690 iPads during the period June 2011 through August 2012. iPad disposals totaled 542 and were as follows: 495 iPads were bought back by the original vendor they were purchased from and the High School Principal sold 47 iPads to a local vendor. The School Corporation should have 148 iPads on hand based on the purchases and disposals of iPads. An inventory of iPads performed indicated a total of 133 iPads on hand. This resulted in a shortage of 15 iPads.

The High School Principal sold a total of 47 iPads to a local vendor who was often used to repair the iPads. The vendor wrote two checks, payable to the Northeastern Jr-Sr High School, dated August 31, 2013, and September 5, 2013, for the purchase of the iPads in the amount of \$831 and \$1,090, respectively. These checks were deposited on September 6, 2013, and September 26, 2013, respectively. The High School Principal did not obtain approval for the disposals as required by the Disposition of Surplus Property policy passed by the School Board in May 2012. The policy states in part: "The Superintendent is authorized to dispose of obsolete instructional and other property by selling it to the highest bidder, by donation to appropriate parties, or by proper waste disposal. Disposal of surplus property purchased with Federal funds shall be disposed of in accordance with Federal guidelines."

Controls over iPads were not sufficient to allow further analysis or conclusions related to the location of these iPads.

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)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDIANAPOLIS, INDIANA 46204-2769

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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 NORTHEASTERN WAYNE  
SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

***Report on Compliance for Each Major Federal Program***

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

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

***Report on Internal Control Over Compliance***

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-003 and 2013-004 to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

March 20, 2014

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

NORTHEASTERN WAYNE 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>U.S. Department of Agriculture</u>					
Child Nutrition Cluster	Indiana Department of Education	10.553			
School Breakfast Program			2011-12	\$ 30,136	\$ -
			2012-13	-	31,417
				<u>30,136</u>	<u>31,417</u>
Total - School Breakfast Program					
National School Lunch Program	Indiana Department of Education	10.555			
			2011-12	221,275	-
			2012-13	-	243,880
				<u>221,275</u>	<u>243,880</u>
Total - National School Lunch Program					
Total - Child Nutrition Cluster				<u>251,411</u>	<u>275,297</u>
Total - U.S. Department of Agriculture				<u>251,411</u>	<u>275,297</u>
<u>U.S. Department of Education</u>					
Title I, Part A Cluster	Indiana Department of Education	84.010			
Title I Grants to Local Educational Agencies			12-8375	213,289	-
			13-8375	-	228,330
				<u>213,289</u>	<u>228,330</u>
Total - Title I Grants to Local Educational Agencies					
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Indiana Department of Education	84.389			
			2010-11	8,072	-
				<u>8,072</u>	<u>-</u>
Total - Title I Part A Cluster				<u>221,361</u>	<u>228,330</u>

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

NORTHEASTERN WAYNE 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>U.S. Department of Education (continued)</u>					
Special Education Cluster					
Special Education - Grants to States	Indiana Department of Education	84.027	H027A090084	69,760	70,000
Total - Special Education Cluster				69,760	70,000
Tech-Prep Education	Indiana Department of Education	84.243	12-470-8375	15,000	-
Educational Technology State Grants	Indiana Department of Education	84.318	A58111IT027	260,900	-
Rural Education	Indiana Department of Education	84.358	2012-13	-	22,492
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	11-8375 12-8375 13-8375	3,353 36,082 -	- - 29,543
Total - Improving Teacher Quality State Grants				39,435	29,543
Education Jobs Fund	Indiana Department of Education	84.410	2011-12	212,047	4,330
Total - U.S. Department of Education				888,263	424,695
Total federal awards expended				<u>\$ 1,069,914</u>	<u>\$ 629,992</u>

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

NORTHEASTERN WAYNE 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 Northeastern Wayne 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
National School Lunch Program	10.555	<u>\$ 34,133</u>	<u>\$ 34,022</u>

NORTHEASTERN WAYNE 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:

Name of Federal Program or Cluster

Child Nutrition Cluster  
Title I, Part A Cluster

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 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 and cash and investment balances. The Treasurer writes the receipts, prepares deposits, takes the deposits to the bank, posts receipts, and reconciles cash balances to the bank. There is no review or approval of the bank reconciliation by someone other than the Treasurer. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statement 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 and correct, 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 School 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 School 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 OVER COMPLIANCE  
OVER SCHEDULE OF FEDERAL EXPENDITURES***

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

The reported SEFA ending June 30, 2012, and June 30, 2013, did not properly reflect federal expenditures of the School Corporation. Federal expenditures were understated by a net amount of \$258,854 and overstated by a net amount of \$36,978, respectively for fiscal year 2011-2012 and fiscal year 2012-2013, due to federal grants being omitted from the schedule and reporting expenditures that were not from a federal grant.

The School Corporation approved and made the necessary adjustments to correct these errors.

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.

NORTHEASTERN WAYNE 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."

NORTHEASTERN WAYNE SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2013-003 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER - PROCUREMENT, SUSPENSION AND DEBARMENT, PROGRAM INCOME AND REPORTING**

Federal Agency: U.S. Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Years: 2011-12, 2012-13  
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 compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Procurement, Suspension and Debarment, Program Income, and Reporting. There was no approval of bids taken by the Food Service Director. The bank statements and sales reports were maintained by the Food Service Director and were not reviewed by management. The annual and monthly reports had no supporting documentation attached and were prepared by the Food Service Director. No review of the reports was made by someone other than the Food Service Director.

The School Corporation was also unaware of the requirement to search for debarred vendors and, therefore, did not have a system in place for determining whether or not a vendor had been excluded from doing business with the federal government.

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

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.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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.

***FINDING 2013-004 - INTERNAL CONTROLS OVER TITLE I CLUSTER - CASH MANAGEMENT, PROCUREMENT, SUSPENSION AND DEBARMENT, AND REPORTING***

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies,  
Title I Grants to Local Educational Agencies, Recovery Act  
CFDA Number: 84.010, 84.389  
Federal Award Numbers and Years: 12-8375, 13-8375, 2010-11  
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 compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Cash Management, Procurement, Suspension and Debarment, and Reporting. There is no management review of reimbursement claims or reports.

The School Corporation was also unaware of the requirement to search for suspended or disbarred parties and therefore, does not have a system in place for determining whether or not a vendor has been excluded from doing business with the Federal Government.

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

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. Non-compliance 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.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
OFFICE OF THE SUPERINTENDENT  
P.O. BOX 406  
FOUNTAIN CITY, IN 47341

Corrective Action Plan:

Finding 2013-001 Internal controls over financial transactions and reporting:

Our superintendent will review and sign and date bank reconcillations.

Superintendent will also compare EFTs to revenue postings.

Our Form 9 will be reviewed and approved by the Superintendent before it is submitted.

Finding 2013-002

The Schedule of Expenditures of Federal Awards will be reviewed and approved by the Superintendent before it is submitted.

Finding 2013-003 The corporation treasurer will review daily reports and bank statements.

The corporation treasurer review monthly and annual report.

Quotes and bids will be received and presented and approved by school board.

We will use the System for Award Management.

Finding 2013-004

The superintendent will review, sign and date monthly and final reports.

Again, we will use the System for Award Management.

Kay Reed

Corporation Treasurer

NORTHEASTERN WAYNE SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2014, with Rose Kay Reed, Treasurer; Laura Blessing, Superintendent of Schools; and Brad Hester, President of the School Board.