

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

WESTERN SCHOOL CORPORATION
HOWARD COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
05/12/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pam Carter	07-01-12 to 06-30-16
Superintendent of Schools	Randy McCracken	07-01-12 to 06-30-16
President of the School Board	Linda Singer J. Conrad Maugans	07-01-12 to 12-31-15 01-01-16 to 06-30-16



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WESTERN SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Western School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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, 2012 to June 30, 2014.

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, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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.


Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 9, 2016, 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.


Paul D. Joyce, CPA
State Examiner

March 9, 2016



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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 WESTERN SCHOOL CORPORATION, HOWARD 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 Western School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated March 9, 2016, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be material weaknesses.

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

Compliance and Other Matters

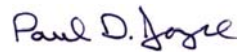
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

Western 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 9, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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WESTERN SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

Fund	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 2,966,791	\$ 14,856,114	\$ 14,446,095	\$ 119,016	\$ 3,495,826	\$ 15,301,036	\$ 15,075,973	\$ (330,057)	\$ 3,390,832
Debt Service	1,468,345	2,595,143	2,686,750	-	1,376,738	2,884,431	2,727,500	(34,413)	1,499,256
Retirement/Severance Bond Debt Service	139,733	267,908	277,181	11,000	141,460	277,345	277,537	29,000	170,268
Capital Projects	1,191,207	1,571,064	1,993,848	(172,076)	596,347	1,462,616	1,537,914	780	521,829
School Transportation	633,785	1,061,501	1,031,281	(260,888)	403,117	1,063,030	1,046,120	(89,627)	330,400
School Bus Replacement	320,023	113,148	232,159	-	201,012	202,282	243,792	-	159,502
Rainy Day	952,121	-	317,440	370,531	1,005,212	70	126,579	365,859	1,244,562
Building Project	201,188	-	201,188	-	-	-	-	-	-
School Lunch	510,568	1,153,907	1,147,397	(12,577)	504,501	1,138,089	1,299,167	9	343,432
Textbook Rental	(92,423)	224,633	350,444	101,896	(116,338)	300,724	160,095	102,810	127,101
Joint Services and Supply - Special Ed Coop	(310)	993	522	-	161	-	-	2,266	2,427
Child Care Program	(919)	6,695	4,180	-	1,596	4,113	4,200	-	1,509
Educational License Plates	650	151	165	-	636	187	-	-	823
Alternative Education	-	6,880	-	-	6,880	5,546	6,879	-	5,547
Early Intervention Grant	2,061	-	-	-	2,061	-	2,054	(7)	-
Donations - 2013	-	900	-	-	900	-	-	(900)	-
Donations - PTO	-	7,383	6,640	-	743	-	-	-	743
Donations	-	-	-	-	-	225	-	-	225
Donations - Misc	-	-	-	-	-	250	230	500	520
Donations - KASEC	-	-	-	-	-	500	-	400	900
Employee Breakfast	-	-	-	-	-	1,375	1,374	-	1
Corporation Extra-Curricular	-	813	238	-	575	911	1,311	-	175
Transportation Extra-Curricular	83	26	-	-	109	-	-	-	109
H. Dean Ressler Memorial	160	-	78	-	82	-	339	358	101
Western Wishing Well	1,472	125	-	-	1,597	-	1,119	-	478
High Ability Grant 11-12	4,539	-	4,539	-	-	-	-	-	-
GT Grant 12-13	-	38,993	36,237	-	2,756	-	2,756	-	-
GT Grant 13-14	-	-	-	-	-	39,207	33,463	-	5,744
NESP 2011-12	174	-	174	-	-	-	-	-	-
NESP 2012-13	-	1,241	923	-	318	-	318	-	-
NESP 2013-14	-	-	-	-	-	1,181	1,181	-	-
School Technology	17,015	7,971	20,504	2,361	6,843	8,489	11,543	1,934	5,723
Common School Technology	-	7,050	7,712	662	-	-	-	-	-
Common School 13-14	-	-	-	-	-	150,000	150,000	-	-
Technology Grants [IC 20-40-15]	4,285	-	4,285	-	-	-	-	-	-
Performance Based Awards	-	-	-	-	-	204,572	204,572	-	-
Child Abuse Prevention	136	-	-	-	136	-	-	-	136
Panther Tech	783	6,400	7,183	-	-	-	-	-	-
Title I 2011-12	(17,051)	31,336	16,812	2,527	-	-	-	-	-
Title I 2012-13	-	266,937	296,495	-	(29,558)	77,888	48,330	-	(23,578)
Title I 2013-14	-	-	-	-	-	244,004	267,582	-	(129)
IDEA	-	-	-	-	-	16,655	16,784	-	9
Part B KASEC FY 2012	(138,703)	1,701,580	1,564,849	500	(1,472)	2,266	-	(785)	-
Part B Modification	(175,637)	265,117	89,480	-	-	-	-	-	-
Part B KASEC FY 2013	-	922,977	955,655	(148,079)	(180,757)	1,649,790	1,627,302	146,606	(11,663)
Part B KASEC FY 2014	-	-	-	-	-	779,634	943,295	-	(163,661)
Special Education Improvement	-	-	-	-	-	69,249	69,249	-	-
Special Ed Preschool	(2,122)	11,129	9,007	-	-	-	-	-	-
Special Ed Prescool 2012	(7,796)	49,880	43,469	-	(1,385)	15,051	13,669	3	-
Special Ed Prescool 2013	-	72,527	68,545	(5,846)	(1,864)	22,039	22,548	(3)	(2,376)
Preschool	-	-	-	-	-	36,863	40,017	-	(3,154)
Imp Teach Quality, Title II, Part A 12-13	-	29,538	34,461	-	(4,923)	17,135	12,212	-	-
Imp Teach Quality, Title II, Part A 13-14	-	-	-	-	-	16,549	21,376	-	(4,827)
Title III - Language Instruction I	(48)	48	-	-	-	-	-	-	-
Title III - Language Instruction II	-	281	281	-	-	-	-	-	-
Education Jobs	-	8,953	-	(8,953)	-	-	-	-	-
Payroll Withholdings	67,466	4,078,107	4,081,612	-	63,961	4,336,624	4,318,259	-	82,326
Totals	\$ 8,047,576	\$ 29,367,449	\$ 29,937,829	\$ 74	\$ 7,477,270	\$ 30,329,926	\$ 30,316,639	\$ 194,733	\$ 7,685,290

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

WESTERN 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.

WESTERN 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.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

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:

WESTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

WESTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Note 5. *Risk Management*

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

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

Note 6. *Pension Plans*

A. Public Employees' Retirement Fund

Plan Description

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

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

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

WESTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. The Textbook Rental fund was overdrawn at June 30, 2013, due to insufficient collections of textbook rental fees needed to cover costs. Various grant funds were overdrawn at June 30, 2013 and 2014, due to the timing of grant reimbursements not being received prior to fiscal year end.

WESTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporation*

The School Corporation has entered into a capital lease with Western 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 2013 and 2014 totaled \$2,733,640 and \$2,726,500, respectively.

Note 9. *Postemployment Benefits*

The School Corporation provides postemployment medical insurance benefits to retirees in accordance with Indiana Code 5-10-8. The benefits pose a liability to the School Corporation. Information regarding the benefits can be obtained by contacting the School Corporation.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://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. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

WESTERN 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	Building Project	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,966,791	\$ 1,468,345	\$ 139,733	\$ 1,191,207	\$ 633,785	\$ 320,023	\$ 952,121	\$ 201,188	\$ 510,568	\$ (92,423)
Receipts:										
Local sources	387,607	2,595,143	267,908	1,548,979	1,061,501	113,148	-	-	704,944	164,695
Intermediate sources	340	-	-	-	-	-	-	-	-	-
State sources	14,373,133	-	-	22,085	-	-	-	-	16,501	59,938
Federal sources	-	-	-	-	-	-	-	-	432,462	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	95,034	-	-	-	-	-	-	-	-	-
Total receipts	14,856,114	2,595,143	267,908	1,571,064	1,061,501	113,148	-	-	1,153,907	224,633
Disbursements:										
Current:										
Instruction	9,855,769	-	-	-	-	-	-	-	-	-
Support services	4,188,595	-	-	1,506,071	1,031,281	232,159	317,440	-	358,181	350,444
Noninstructional services	401,715	-	-	-	-	-	-	-	788,538	-
Facilities acquisition and construction	-	-	-	487,777	-	-	-	201,188	678	-
Debt services	-	2,686,750	277,181	-	-	-	-	-	-	-
Nonprogrammed charges	16	-	-	-	-	-	-	-	-	-
Total disbursements	14,446,095	2,686,750	277,181	1,993,848	1,031,281	232,159	317,440	201,188	1,147,397	350,444
Excess (deficiency) of receipts over disbursements	410,019	(91,607)	(9,273)	(422,784)	30,220	(119,011)	(317,440)	(201,188)	6,510	(125,811)
Other financing sources (uses):										
Sale of capital assets	36,247	-	-	-	112	-	-	-	1,000	1,431
Transfers in	162,877	-	11,000	-	200,000	-	370,531	-	-	150,465
Transfers out	(80,108)	-	-	(172,076)	(461,000)	-	-	-	(13,577)	(50,000)
Total other financing sources (uses)	119,016	-	11,000	(172,076)	(260,888)	-	370,531	-	(12,577)	101,896
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	529,035	(91,607)	1,727	(594,860)	(230,668)	(119,011)	53,091	(201,188)	(6,067)	(23,915)
Cash and investments - ending	\$ 3,495,826	\$ 1,376,738	\$ 141,460	\$ 596,347	\$ 403,117	\$ 201,012	\$ 1,005,212	\$ -	\$ 504,501	\$ (116,338)

WESTERN 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)

	Joint Services and Supply - Special Ed Coop	Child Care Program	Educational License Plates	Alternative Education	Early Intervention Grant	Donations - 2013	Donations - PTO	Donations	Donations - Misc	Donations - KASEC
Cash and investments - beginning	\$ (310)	\$ (919)	\$ 650	\$ -	\$ 2,061	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:										
Local sources	993	6,695	-	-	-	900	-	-	-	-
Intermediate sources	-	-	151	-	-	-	7,383	-	-	-
State sources	-	-	-	6,880	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	993	6,695	151	6,880	-	900	7,383	-	-	-
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	-	-	-	-
Support services	522	-	165	-	-	-	6,640	-	-	-
Noninstructional services	-	4,180	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	522	4,180	165	-	-	-	6,640	-	-	-
Excess (deficiency) of receipts over disbursements	471	2,515	(14)	6,880	-	900	743	-	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	471	2,515	(14)	6,880	-	900	743	-	-	-
Cash and investments - ending	\$ 161	\$ 1,596	\$ 636	\$ 6,880	\$ 2,061	\$ 900	\$ 743	\$ -	\$ -	\$ -

WESTERN 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)

	Employee Breakfast	Corporation Extra- Curricular	Transportation Extra- Curricular	H. Dean Ressler Memorial	Western Wishing Well	High Ability Grant 11-12	GT Grant 12-13	GT Grant 13-14	NESP 2011-12	NESP 2012-13
Cash and investments - beginning	\$ -	\$ -	\$ 83	\$ 160	\$ 1,472	\$ 4,539	\$ -	\$ -	\$ 174	\$ -
Receipts:										
Local sources	-	813	26	-	125	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	38,993	-	-	1,241
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	813	26	-	125	-	38,993	-	-	1,241
Disbursements:										
Current:										
Instruction	-	-	-	-	-	4,539	36,237	-	174	923
Support services	-	238	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	78	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	238	-	78	-	4,539	36,237	-	174	923
Excess (deficiency) of receipts over disbursements	-	575	26	(78)	125	(4,539)	2,756	-	(174)	318
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	575	26	(78)	125	(4,539)	2,756	-	(174)	318
Cash and investments - ending	\$ -	\$ 575	\$ 109	\$ 82	\$ 1,597	\$ -	\$ 2,756	\$ -	\$ -	\$ 318

WESTERN 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)

	NESP 2013-14	School Technology	Common School Technology	Common School 13-14	Technology Grants [IC 20-40-15]	Performance Based Awards	Child Abuse Prevention	Panther Tech	Title I 2011-12	Title I 2012-13
Cash and investments - beginning	\$ -	\$ 17,015	\$ -	\$ -	\$ 4,285	\$ -	\$ 136	\$ 783	\$ (17,051)	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	2,814	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	7,971	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	28,522	266,937
Temporary loans	-	-	7,050	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	6,400	-	-
Total receipts	-	7,971	7,050	-	-	-	-	6,400	31,336	266,937
Disbursements:										
Current:										
Instruction	-	-	-	-	4,285	-	-	7,183	15,601	293,080
Support services	-	20,504	7,712	-	-	-	-	-	1,211	3,415
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	20,504	7,712	-	4,285	-	-	7,183	16,812	296,495
Excess (deficiency) of receipts over disbursements	-	(12,533)	(662)	-	(4,285)	-	-	(783)	14,524	(29,558)
Other financing sources (uses):										
Sale of capital assets	-	2,361	-	-	-	-	-	-	-	-
Transfers in	-	-	662	-	-	-	-	-	2,527	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	2,361	662	-	-	-	-	-	2,527	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(10,172)	-	-	(4,285)	-	-	(783)	17,051	(29,558)
Cash and investments - ending	\$ -	\$ 6,843	\$ -	\$ -	\$ -	\$ -	\$ 136	\$ -	\$ -	\$ (29,558)

WESTERN 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 2013-14	IDEA	Part B KASEC FY 2012	Part B Modification	Part B KASEC FY 2013	Part B KASEC FY 2014	Special Education Improvement	Special Ed Preschool	Special Ed Preschool 2012
Cash and investments - beginning	\$ -	\$ -	\$ (138,703)	\$ (175,637)	\$ -	\$ -	\$ -	\$ (2,122)	\$ (7,796)
Receipts:									
Local sources	-	-	-	-	4,580	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	1,701,580	265,117	918,397	-	-	11,129	49,880
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	1,701,580	265,117	922,977	-	-	11,129	49,880
Disbursements:									
Current:									
Instruction	-	-	850,650	89,480	492,343	-	-	9,007	37,911
Support services	-	-	569,160	-	463,312	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	145,039	-	-	-	-	-	5,558
Total disbursements	-	-	1,564,849	89,480	955,655	-	-	9,007	43,469
Excess (deficiency) of receipts over disbursements	-	-	136,731	175,637	(32,678)	-	-	2,122	6,411
Other financing sources (uses):									
Sale of capital assets	-	-	500	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(148,079)	-	-	-	-
Total other financing sources (uses)	-	-	500	-	(148,079)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	137,231	175,637	(180,757)	-	-	2,122	6,411
Cash and investments - ending	\$ -	\$ -	\$ (1,472)	\$ -	\$ (180,757)	\$ -	\$ -	\$ -	\$ (1,385)

WESTERN 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)

	Special Ed Preschool 2013	Preschool	Imp Teach Quality, Title II, Part A 12-13	Imp Teach Quality, Title II, Part A 13-14	Title III - Language Instruction I	Title III - Language Instruction II	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (48)	\$ -	\$ -	\$ 67,466	\$ 8,047,576
Receipts:									
Local sources	-	-	-	-	-	-	-	-	6,860,871
Intermediate sources	-	-	-	-	-	-	-	-	7,874
State sources	-	-	-	-	-	-	-	-	14,526,742
Federal sources	72,527	-	29,538	-	48	281	8,953	-	3,785,371
Temporary loans	-	-	-	-	-	-	-	-	7,050
Other	-	-	-	-	-	-	-	4,078,107	4,179,541
Total receipts	72,527	-	29,538	-	48	281	8,953	4,078,107	29,367,449
Disbursements:									
Current:									
Instruction	68,545	-	34,461	-	-	281	-	-	11,800,469
Support services	-	-	-	-	-	-	-	-	9,057,050
Noninstructional services	-	-	-	-	-	-	-	-	1,194,511
Facilities acquisition and construction	-	-	-	-	-	-	-	-	689,643
Debt services	-	-	-	-	-	-	-	-	2,963,931
Nonprogrammed charges	-	-	-	-	-	-	-	4,081,612	4,232,225
Total disbursements	68,545	-	34,461	-	-	281	-	4,081,612	29,937,829
Excess (deficiency) of receipts over disbursements	3,982	-	(4,923)	-	48	-	8,953	(3,505)	(570,380)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	41,651
Transfers in	-	-	-	-	-	-	-	-	898,062
Transfers out	(5,846)	-	-	-	-	-	(8,953)	-	(939,639)
Total other financing sources (uses)	(5,846)	-	-	-	-	-	(8,953)	-	74
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,864)	-	(4,923)	-	48	-	-	(3,505)	(570,306)
Cash and investments - ending	\$ (1,864)	\$ -	\$ (4,923)	\$ -	\$ -	\$ -	\$ -	\$ 63,961	\$ 7,477,270

WESTERN SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Building Project	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 3,495,826	\$ 1,376,738	\$ 141,460	\$ 596,347	\$ 403,117	\$ 201,012	\$ 1,005,212	\$ -	\$ 504,501	\$ (116,338)
Receipts:										
Local sources	245,904	2,884,431	277,345	1,459,574	1,059,184	202,282	70	-	674,085	240,091
Intermediate sources	936	-	-	-	-	-	-	-	-	-
State sources	14,910,498	-	-	-	-	-	-	-	16,819	60,633
Federal sources	-	-	-	-	-	-	-	-	447,185	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	143,698	-	-	3,042	3,846	-	-	-	-	-
Total receipts	15,301,036	2,884,431	277,345	1,462,616	1,063,030	202,282	70	-	1,138,089	300,724
Disbursements:										
Current:										
Instruction	9,722,290	-	-	-	-	-	-	-	-	-
Support services	4,972,041	-	-	1,037,545	1,046,120	243,792	126,579	-	380,017	160,095
Noninstructional services	380,630	-	-	-	-	-	-	-	800,241	-
Facilities acquisition and construction	920	-	-	500,369	-	-	-	-	3,895	-
Debt services	-	2,727,500	277,537	-	-	-	-	-	-	-
Nonprogrammed charges	92	-	-	-	-	-	-	-	115,014	-
Total disbursements	15,075,973	2,727,500	277,537	1,537,914	1,046,120	243,792	126,579	-	1,299,167	160,095
Excess (deficiency) of receipts over disbursements	225,063	156,931	(192)	(75,298)	16,910	(41,510)	(126,509)	-	(161,078)	140,629
Other financing sources (uses):										
Sale of capital assets	40,563	-	-	780	191	-	-	-	9	2,810
Transfers in	35,239	17,413	40,000	-	111,000	-	365,859	-	-	-
Transfers out	(405,859)	(51,826)	(11,000)	-	(200,818)	-	-	-	-	100,000
Total other financing sources (uses)	(330,057)	(34,413)	29,000	780	(89,627)	-	365,859	-	9	102,810
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(104,994)	122,518	28,808	(74,518)	(72,717)	(41,510)	239,350	-	(161,069)	243,439
Cash and investments - ending	\$ 3,390,832	\$ 1,499,256	\$ 170,268	\$ 521,829	\$ 330,400	\$ 159,502	\$ 1,244,562	\$ -	\$ 343,432	\$ 127,101

WESTERN SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Joint Services and Supply - Special Ed Coop	Child Care Program	Educational License Plates	Alternative Education	Early Intervention Grant	Donations - 2013	Donations - PTO	Donations	Donations - Misc	Donations - KASEC
Cash and investments - beginning	\$ 161	\$ 1,596	\$ 636	\$ 6,880	\$ 2,061	\$ 900	\$ 743	\$ -	\$ -	\$ -
Receipts:										
Local sources	-	4,113	131	-	-	-	-	225	250	500
Intermediate sources	-	-	56	-	-	-	-	-	-	-
State sources	-	-	-	5,546	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	4,113	187	5,546	-	-	-	225	250	500
Disbursements:										
Current:										
Instruction	-	-	-	6,879	2,054	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	4,200	-	-	-	-	-	-	230	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	4,200	-	6,879	2,054	-	-	-	230	-
Excess (deficiency) of receipts over disbursements	-	(87)	187	(1,333)	(2,054)	-	-	225	20	500
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	2,266	-	-	-	-	-	-	-	500	400
Transfers out	-	-	-	-	(7)	(900)	-	-	-	-
Total other financing sources (uses)	2,266	-	-	-	(7)	(900)	-	-	500	400
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,266	(87)	187	(1,333)	(2,061)	(900)	-	225	520	900
Cash and investments - ending	\$ 2,427	\$ 1,509	\$ 823	\$ 5,547	\$ -	\$ -	\$ 743	\$ 225	\$ 520	\$ 900

WESTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Employee Breakfast	Corporation Extra- Curricular	Transportation Extra- Curricular	H. Dean Ressler Memorial	Western Wishing Well	High Ability Grant 11-12	GT Grant 12-13	GT Grant 13-14	NESP 2011-12	NESP 2012-13
Cash and investments - beginning	\$ -	\$ 575	\$ 109	\$ 82	\$ 1,597	\$ -	\$ 2,756	\$ -	\$ -	\$ 318
Receipts:										
Local sources	1,375	911	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	39,207	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	1,375	911	-	-	-	-	-	39,207	-	-
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	2,756	32,633	-	-
Support services	1,374	873	-	-	1,119	-	-	-	-	318
Noninstructional services	-	438	-	339	-	-	-	830	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	1,374	1,311	-	339	1,119	-	2,756	33,463	-	318
Excess (deficiency) of receipts over disbursements	1	(400)	-	(339)	(1,119)	-	(2,756)	5,744	-	(318)
Other financing sources (uses):										
Sale of capital assets	-	-	-	358	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	358	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1	(400)	-	19	(1,119)	-	(2,756)	5,744	-	(318)
Cash and investments - ending	\$ 1	\$ 175	\$ 109	\$ 101	\$ 478	\$ -	\$ -	\$ 5,744	\$ -	\$ -

WESTERN SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	NESP 2013-14	School Technology	Common School Technology	Common School 13-14	Technology Grants [IC 20-40-15]	Performance Based Awards	Child Abuse Prevention	Panther Tech	Title I 2011-12	Title I 2012-13
Cash and investments - beginning	\$ -	\$ 6,843	\$ -	\$ -	\$ -	\$ -	\$ 136	\$ -	\$ -	\$ (29,558)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	1,181	8,489	-	-	-	204,572	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	77,888
Temporary loans	-	-	-	150,000	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	1,181	8,489	-	150,000	-	204,572	-	-	-	77,888
Disbursements:										
Current:										
Instruction	1,181	-	-	-	-	204,572	-	-	-	45,371
Support services	-	11,543	-	150,000	-	-	-	-	-	2,959
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	1,181	11,543	-	150,000	-	204,572	-	-	-	48,330
Excess (deficiency) of receipts over disbursements	-	(3,054)	-	-	-	-	-	-	-	29,558
Other financing sources (uses):										
Sale of capital assets	-	1,934	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,934	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,120)	-	-	-	-	-	-	-	29,558
Cash and investments - ending	\$ -	\$ 5,723	\$ -	\$ -	\$ -	\$ -	\$ 136	\$ -	\$ -	\$ -

WESTERN SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Title I 2013-14	IDEA	Part B KASEC FY 2012	Part B Modification	Part B KASEC FY 2013	Part B KASEC FY 2014	Special Education Improvement	Special Ed Preschool	Special Ed Preschool 2012
Cash and investments - beginning	\$ -	\$ -	\$ (1,472)	\$ -	\$ (180,757)	\$ -	\$ -	\$ -	\$ (1,385)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	244,004	16,655	-	-	1,649,790	779,634	69,249	-	15,051
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	2,266	-	-	-	-	-	-
Total receipts	244,004	16,655	2,266	-	1,649,790	779,634	69,249	-	15,051
Disbursements:									
Current:									
Instruction	266,095	16,784	-	-	848,681	469,855	69,249	-	13,669
Support services	1,487	-	-	-	605,128	473,440	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	173,493	-	-	-	-
Total disbursements	267,582	16,784	-	-	1,627,302	943,295	69,249	-	13,669
Excess (deficiency) of receipts over disbursements	(23,578)	(129)	2,266	-	22,488	(163,661)	-	-	1,382
Other financing sources (uses):									
Sale of capital assets	-	-	9	-	-	-	-	-	-
Transfers in	-	-	1,472	-	-	-	-	-	3
Transfers out	-	-	(2,266)	-	146,606	-	-	-	-
Total other financing sources (uses)	-	-	(785)	-	146,606	-	-	-	3
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(23,578)	(129)	1,481	-	169,094	(163,661)	-	-	1,385
Cash and investments - ending	\$ (23,578)	\$ (129)	\$ 9	\$ -	\$ (11,663)	\$ (163,661)	\$ -	\$ -	\$ -

WESTERN SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Special Ed Preschool 2013	Preschool	Imp Teach Quality, Title II, Part A 12-13	Imp Teach Quality, Title II, Part A 13-14	Title III - Language Instruction I	Title III - Language Instruction II	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ (1,864)	\$ -	\$ (4,923)	\$ -	\$ -	\$ -	\$ -	\$ 63,961	\$ 7,477,270
Receipts:									
Local sources	-	-	-	-	-	-	-	-	7,050,471
Intermediate sources	-	-	-	-	-	-	-	-	992
State sources	-	-	-	-	-	-	-	-	15,246,945
Federal sources	22,039	36,863	17,135	16,549	-	-	-	-	3,392,042
Temporary loans	-	-	-	-	-	-	-	-	150,000
Other	-	-	-	-	-	-	-	4,336,624	4,489,476
Total receipts	22,039	36,863	17,135	16,549	-	-	-	4,336,624	30,329,926
Disbursements:									
Current:									
Instruction	22,548	40,017	12,212	21,376	-	-	-	-	11,798,222
Support services	-	-	-	-	-	-	-	-	9,214,430
Noninstructional services	-	-	-	-	-	-	-	-	1,186,908
Facilities acquisition and construction	-	-	-	-	-	-	-	-	505,184
Debt services	-	-	-	-	-	-	-	-	3,005,037
Nonprogrammed charges	-	-	-	-	-	-	-	4,318,259	4,606,858
Total disbursements	22,548	40,017	12,212	21,376	-	-	-	4,318,259	30,316,639
Excess (deficiency) of receipts over disbursements	(509)	(3,154)	4,923	(4,827)	-	-	-	18,365	13,287
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	46,654
Transfers in	-	-	-	-	-	-	-	-	574,152
Transfers out	(3)	-	-	-	-	-	-	-	(426,073)
Total other financing sources (uses)	(3)	-	-	-	-	-	-	-	194,733
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(512)	(3,154)	4,923	(4,827)	-	-	-	18,365	208,020
Cash and investments - ending	\$ (2,376)	\$ (3,154)	\$ -	\$ (4,827)	\$ -	\$ -	\$ -	\$ 82,326	\$ 7,685,290

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WESTERN SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
As of June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Western School Building Corporation	2007 Building Project	\$ 1,465,000.00	7/15/2007	7/15/2029
Western School Building Corporation	2011 Building Project	1,055,000.00	4/19/2011	1/15/2016
Western School Building Corporation	2010 Qualified School Construction	<u>206,000.00</u>	6/30/2011	6/30/2029
Total of annual lease payments		<u><u>\$ 2,726,000.00</u></u>		

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose	
Governmental activities:		
General obligation bonds	School Severance Funding	\$ 1,205,000.00
Notes and loans payable	Common School Loan	<u>17,100.00</u>
Totals		<u><u>\$ 1,222,100.00</u></u>
		<u><u>\$ 294,346.75</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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 WESTERN SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Western 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, 2012 to June 30, 2014. 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, 2012 to June 30, 2014.

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 item 2014-002. 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 item 2014-002 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 9, 2016

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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WESTERN SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

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 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 12-13 FY 13-14	\$ 66,484 -	\$ - 67,882
Total - School Breakfast Program				66,484	67,882
National School Lunch Program	Indiana Department of Education	10.555	FY 12-13 FY 13-14	438,003 -	- 455,798
Total - National School Lunch Program				438,003	455,798
Total - Department of Agriculture				504,487	523,680
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	12-3490 13-3490 14-3490	28,522 266,937 -	- 77,887 244,001
Total - Title I, Part A Cluster				295,459	321,888
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027	14211-035-PN01 14212-035-PN01 14213-035-PN01 14214-035-PN01 99914-035-TA01 A58-3-13DL-1509	94,088 462,580 310,030 - - -	- - 346,851 163,369 3,501 69,249
Total - Special Education - Grants to States				866,698	582,970
Special Education - Preschool Grants	Indiana Department of Education	84.173	45711-35-PN01 45712-35-PN01 45713-35-PN01 45714-35-PN01	1,513 13,805 11,632 -	- 1,892 8,443 5,836
Total - Special Education - Preschool Grants				26,950	16,171
Total - Special Education Cluster (IDEA)				893,648	599,141
English Language Acquisition State Grants	West Lafayette Community School Corporation	84.365	01112-092-PN01	330	-
Total - English Language Acquisition State Grants				330	-
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	12-3490 13-3490	29,538 -	17,135 16,549
Total - Improving Teacher Quality State Grants				29,538	33,684
Education Jobs Fund	Indiana Department of Education	84.410		8,953	-
Total - Education Jobs Fund				8,953	-
Total - Department of Education				1,227,928	954,713
Total federal awards expended				\$ 1,732,415	\$ 1,478,393

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

WESTERN 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 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 5-11-1-25), 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, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 72,024	\$ 76,495

WESTERN 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

Title I Part A Cluster
Special Education 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 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

During the audit of the SEFA, we noted that total federal expenditures for fiscal years 2013 and 2014 were incorrectly reported with total expenditures being understated by \$1,732,415 in 2013 and overstated by \$2,795,981 in 2014. The expenditures that were not presented in the SEFA for 2013 and overstated in 2014

WESTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

were primarily due to incorrect amounts being reported for the Special Education Cluster. Additionally, the following deficiencies were noted when verifying the SEFA: (a) commodities required to be reported under the National School Lunch Program, CFDA 10.555, were omitted in the amount of \$72,024 and \$76,495 for fiscal years 2013 and 2014, respectively; (b) total Title I funds provided by the Indiana Department of Education was understated by \$77,887; and, (c) total Improving Teacher Quality funds provided by the Indiana Department of Education were understated by \$17,135.

The deficiencies discussed above constitute material weaknesses. The errors and omissions on the SEFA were partially caused by a lack of sufficient internal controls over the preparation of the SEFA and due to insufficient familiarity with some of the required elements of the SEFA. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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.

WESTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 2014-002 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Special Education - Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): 14211-035-PN01, 14212-035-PN01,
14213-035-PN01, 14214-035-PN01

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 its grant agreements and the Allowable Costs/Cost Principles compliance requirements. The School Corporation is a member of the Kokomo Area Special Education Cooperative (Co-op) and provides oversight of the Co-op through the School Corporation Superintendent, who serves as a member of the Co-op Board. The Co-op has not established an effective internal control system in relation to Allowable Costs/Cost Principles.

The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with Allowable Costs/Cost Principles compliance requirements related to its Special Education Grants. Semi-Annual Certifications for fiscal year 2014 could not be located by the Co-op, and therefore were not presented for audit. For those employees that were paid from Special Education funds, the Co-op should have included their names on Semi-Annual Certification Activity Reports, and retained the reports.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a 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.

WESTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-87, Attachment B, paragraph 8.h.(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee."

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 enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements 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 compliance requirements listed above.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.

SCHOOL BOARD
J. CONRAD MAUGANS - PRESIDENT
MICHAEL J. KOLOSZAR - VICE PRESIDENT
DONNA J. SHEPHERD - SECRETARY
LINDA S. SINGER - MEMBER
DONALD L. WELLS - MEMBER
HARRY L. KENWORTHY - MEMBER
SCOTT E. GASKINS - MEMBER



RANDY McCracken - SUPERINTENDENT
HEATHER HENDRICH - ASSISTANT SUPERINTENDENT
PAM CARTER - DIRECTOR OF FINANCE
CRAIG SHEARER - DIRECTOR OF TECHNOLOGY
LISSA STRANAHAN - DIRECTOR OF EXCEPTIONAL LEARNERS & TESTING

CORRECTIVE ACTION PLAN

FEDERAL FINDING – 2014-001 PREPARATON OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.

Contact Person responsible for Corrective Action: Pam Carter, Director of Finance
Contact phone number: (765) 883-1453

Description of Corrective Action Plan:

Due to a lack of understanding of all data that is required to be documented and reported to the SEFA, and the fact that SEFA is relatively new as a requirement for us to complete, procedures are now in place to report the correct expenditures. We are now aware that commodities are also to be reported under the National School Lunch Program and that will be correctly reported on the next SEFA.

Anticipated Completion Date: Immediate

FINDING 2014 – 002 ALLOWABLE COSTS/COST PRINCIPLES

Contact Person responsible for Corrective Action: Suzie Reagle, Director of Special Education, KASEC
Contact phone number: (765) 883-1487

This finding is reflective of an audit of the 2013-14 school year. All required time and effort documentation is currently maintained in accordance with federal requirements. Controls were in place for the 2014-15 school year and remain in place. This maintenance of documentation will be continued as required.

Anticipated completion date: Immediate

WESTERN SCHOOL CORPORATION

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Prospective employees will receive consideration without discrimination of race, creed, color, sex, age, national origin, handicap or veteran status.

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.