

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

NORTHWESTERN SCHOOL CORPORATION  
HOWARD COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
07/15/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cami J. McLeland (Vacant) Jamie Shepherd-Bryant	07-01-13 to 02-21-14 02-22-14 to 04-23-14 04-24-14 to 06-30-16
Superintendent of Schools	Ryan Snoddy	07-01-13 to 06-30-16
President of the School Board	Bryan Alexander Todd Moser Steve Jones Jonathan Underwood	01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16



**STATE OF INDIANA**  
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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Northwestern School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, 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, 2013 to June 30, 2015.

***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, 2013 to June 30, 2015, 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, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 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

May 16, 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 NORTHWESTERN 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 Northwestern School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated May 16, 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 items 2015-001 and 2015-002 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**

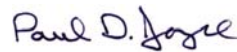
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 items 2015-001 and 2015-002.

**Northwestern 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

May 16, 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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NORTHWESTERN SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 47,133	\$ 10,247,579	\$ 9,846,198	\$ (339,577)	\$ 108,937	\$ 10,606,488	\$ 10,528,761	\$ 5,602	\$ 192,266
Debt Service	1,478,288	2,281,622	2,351,641	-	1,408,269	2,501,471	2,360,052	-	1,549,688
Retirement/Severance Bond Debt Service	109,213	151,717	155,599	-	105,331	152,531	155,280	-	102,582
Capital Projects	541,353	2,498,910	2,271,164	(100,000)	669,099	2,348,517	2,442,304	(58,000)	517,312
School Transportation	351,615	1,464,214	1,265,518	(216,000)	334,311	1,422,202	1,234,940	(128,000)	393,573
School Bus Replacement	268,092	140,949	167,263	-	241,778	149,472	169,131	-	222,119
Rainy Day	638,980	-	383,878	666,000	921,102	-	206,922	179,606	893,786
Construction	30,281	-	-	-	30,281	-	-	-	30,281
School Lunch	298,571	704,021	693,074	-	309,518	743,125	690,248	-	362,395
Textbook Rental	51,626	156,562	102,629	-	105,559	238,233	218,645	-	125,147
Self-Insurance	7,064	-	-	-	7,064	-	-	-	7,064
Levy Excess	29,637	-	-	-	29,637	32	-	-	29,669
Educational License Plates	94	-	-	-	94	-	-	-	94
NW Boosters Fine Arts Donation	67	-	-	-	67	-	-	-	67
Teacher Quality Improvement Program	6,970	30,768	2,165	-	35,573	31,065	60,935	(5,606)	97
Education Technology	8,996	26,558	40,373	-	(4,819)	202,283	213,179	4,819	(10,896)
Indiana Arts Commission	900	-	-	-	900	-	-	-	900
Scholarships and Awards	12	-	-	-	12	-	-	-	12
Non-English Speaking Programs P.L. 273-1999	4,796	-	47	-	4,749	-	-	-	4,749
School Technology	3,903	10,569	5,297	-	9,175	24,197	5,902	-	27,470
Mentor Teacher	175	-	-	-	175	-	-	-	175
Title I	(53,301)	-	-	-	(53,301)	-	-	53,301	-
Title I FY 2012	(36,407)	-	-	-	(36,407)	-	-	36,407	-
Title I FY 2013	69,054	58,860	113,833	-	14,081	-	-	(14,081)	-
Title I FY 2014	-	153,915	75,903	-	78,012	39,351	23,891	(93,472)	-
Title I FY 2015	-	-	-	-	-	109,584	138,533	17,847	(11,102)
IDEA	(105)	-	-	-	(105)	-	-	105	-
IDEA, Part B- LEA Capacity Building (Sliver) Grants	-	68,691	68,498	-	193	-	-	(105)	88
Maintenance Vending	-	-	-	-	-	5,568	1,437	-	4,131
Improving Teaching Quality, No Child Left, Title II, Part A	33,243	42,194	75,437	-	-	80,393	35,462	-	44,931
Title I - Grants to LEAs	(169)	-	-	-	(169)	-	-	169	-
Special Education - Part B	(1,408)	-	-	-	(1,408)	-	-	1,408	-
Clearing	96,334	5,982,670	5,980,133	-	98,871	10,582,697	10,156,557	-	525,011
Totals	<u>\$ 3,985,007</u>	<u>\$ 24,019,799</u>	<u>\$ 23,598,650</u>	<u>\$ 10,423</u>	<u>\$ 4,416,579</u>	<u>\$ 29,237,209</u>	<u>\$ 28,642,179</u>	<u>\$ -</u>	<u>\$ 5,011,609</u>

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

NORTHWESTERN 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.

NORTHWESTERN 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:

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

NORTHWESTERN SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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



NORTHWESTERN SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 the authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

*Funding Policy and Annual Pension Cost*

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

NORTHWESTERN 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  
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. This is primarily a result of reimbursement for grant expenditures made by the School Corporation and draws on common school technology loans that were not received by June 30, 2014 and 2015.

***Note 8. Holding Corporation***

The School Corporation has entered into a capital lease with Northwestern 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 2014 and 2015, totaled \$2,161,857 and \$2,170,200, respectively.

NORTHWESTERN SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. *Other Postemployment Benefits***

The School Corporation provides severance benefits to eligible retirees. These benefits pose a liability to the School Corporation for this year and in future years. 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.

NORTHWESTERN 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	Construction	School Lunch
Cash and investments - beginning	\$ 47,133	\$ 1,478,288	\$ 109,213	\$ 541,353	\$ 351,615	\$ 268,092	\$ 638,980	\$ 30,281	\$ 298,571
Receipts:									
Local sources	207,841	2,281,622	151,717	2,498,910	1,464,214	140,949	-	-	527,334
Intermediate sources	114	-	-	-	-	-	-	-	-
State sources	10,039,449	-	-	-	-	-	-	-	90,710
Federal sources	-	-	-	-	-	-	-	-	85,977
Other	175	-	-	-	-	-	-	-	-
Total receipts	10,247,579	2,281,622	151,717	2,498,910	1,464,214	140,949	-	-	704,021
Disbursements:									
Instruction	6,663,368	-	-	-	-	-	130,307	-	28,118
Support services	2,950,554	-	-	1,338,758	1,265,518	167,263	200,084	-	9,821
Noninstructional services	232,276	-	-	-	-	-	-	-	655,135
Facilities acquisition and construction	-	-	-	932,406	-	-	53,487	-	-
Debt services	-	2,351,641	155,599	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	9,846,198	2,351,641	155,599	2,271,164	1,265,518	167,263	383,878	-	693,074
Excess (deficiency) of receipts over disbursements	401,381	(70,019)	(3,882)	227,746	198,696	(26,314)	(383,878)	-	10,947
Other financing sources (uses):									
Sale of capital assets	10,423	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	666,000	-	-
Transfers out	(350,000)	-	-	(100,000)	(216,000)	-	-	-	-
Total other financing sources (uses)	(339,577)	-	-	(100,000)	(216,000)	-	666,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	61,804	(70,019)	(3,882)	127,746	(17,304)	(26,314)	282,122	-	10,947
Cash and investments - ending	\$ 108,937	\$ 1,408,269	\$ 105,331	\$ 669,099	\$ 334,311	\$ 241,778	\$ 921,102	\$ 30,281	\$ 309,518

NORTHWESTERN 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)

	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	NW Boosters Fine Arts Donation	Teacher Quality Improvement Program	Education Technology	Indiana Arts Commission	Scholarships and Awards
Cash and investments - beginning	\$ 51,626	\$ 7,064	\$ 29,637	\$ 94	\$ 67	\$ 6,970	\$ 8,996	\$ 900	\$ 12
Receipts:									
Local sources	156,562	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	30,768	26,558	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	156,562	-	-	-	-	30,768	26,558	-	-
Disbursements:									
Instruction	-	-	-	-	-	2,165	-	-	-
Support services	102,629	-	-	-	-	-	40,373	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	102,629	-	-	-	-	2,165	40,373	-	-
Excess (deficiency) of receipts over disbursements	53,933	-	-	-	-	28,603	(13,815)	-	-
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	53,933	-	-	-	-	28,603	(13,815)	-	-
Cash and investments - ending	\$ 105,559	\$ 7,064	\$ 29,637	\$ 94	\$ 67	\$ 35,573	\$ (4,819)	\$ 900	\$ 12

NORTHWESTERN 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)

	Non-English Speaking Programs P.L. 273-1999	School Technology	Mentor Teacher	Title I	Title I FY 2012	Title I FY 2013	Title I FY 2014	Title I FY 2015	IDEA
Cash and investments - beginning	\$ 4,796	\$ 3,903	\$ 175	\$ (53,301)	\$ (36,407)	\$ 69,054	\$ -	\$ -	\$ (105)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	10,569	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	58,860	153,915	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	10,569	-	-	-	58,860	153,915	-	-
Disbursements:									
Instruction	47	-	-	-	-	113,833	75,903	-	-
Support services	-	5,297	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	47	5,297	-	-	-	113,833	75,903	-	-
Excess (deficiency) of receipts over disbursements	(47)	5,272	-	-	-	(54,973)	78,012	-	-
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	(47)	5,272	-	-	-	(54,973)	78,012	-	-
Cash and investments - ending	\$ 4,749	\$ 9,175	\$ 175	\$ (53,301)	\$ (36,407)	\$ 14,081	\$ 78,012	\$ -	\$ (105)



NORTHWESTERN 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)

	IDEA, Part B- LEA Capacity Building (Sliver) Grants	Maintenance Vending	Improving Teaching Quality, No Child Left, Title II, Part A	Title I - Grants to LEAs	Special Education - Part B	Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 33,243	\$ (169)	\$ (1,408)	\$ 96,334	\$ 3,985,007
Receipts:							
Local sources	-	-	-	-	-	-	7,429,149
Intermediate sources	-	-	-	-	-	-	114
State sources	-	-	-	-	-	-	10,198,054
Federal sources	68,691	-	42,194	-	-	-	409,637
Other	-	-	-	-	-	5,982,670	5,982,845
Total receipts	68,691	-	42,194	-	-	5,982,670	24,019,799
Disbursements:							
Instruction	16,885	-	75,437	-	-	-	7,106,063
Support services	1,200	-	-	-	-	-	6,081,497
Noninstructional services	-	-	-	-	-	-	887,411
Facilities acquisition and construction	50,413	-	-	-	-	-	1,036,306
Debt services	-	-	-	-	-	-	2,507,240
Nonprogrammed charges	-	-	-	-	-	5,980,133	5,980,133
Total disbursements	68,498	-	75,437	-	-	5,980,133	23,598,650
Excess (deficiency) of receipts over disbursements	193	-	(33,243)	-	-	2,537	421,149
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	10,423
Transfers in	-	-	-	-	-	-	666,000
Transfers out	-	-	-	-	-	-	(666,000)
Total other financing sources (uses)	-	-	-	-	-	-	10,423
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	193	-	(33,243)	-	-	2,537	431,572
Cash and investments - ending	\$ 193	\$ -	\$ -	\$ (169)	\$ (1,408)	\$ 98,871	\$ 4,416,579

NORTHWESTERN SCHOOL CORPORATION  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch
Cash and investments - beginning	\$ 108,937	\$ 1,408,269	\$ 105,331	\$ 669,099	\$ 334,311	\$ 241,778	\$ 921,102	\$ 30,281	\$ 309,518
Receipts:									
Local sources	250,136	2,501,471	152,531	2,348,517	1,422,202	149,472	-	-	507,206
Intermediate sources	114	-	-	-	-	-	-	-	-
State sources	10,356,189	-	-	-	-	-	-	-	16,545
Federal sources	-	-	-	-	-	-	-	-	219,374
Other	49	-	-	-	-	-	-	-	-
Total receipts	10,606,488	2,501,471	152,531	2,348,517	1,422,202	149,472	-	-	743,125
Disbursements:									
Instruction	7,275,779	-	-	-	-	-	-	-	21,365
Support services	2,980,204	-	-	1,471,929	1,234,940	169,131	165,731	-	27,016
Noninstructional services	272,778	-	-	-	-	-	-	-	641,867
Facilities acquisition and construction	-	-	-	970,375	-	-	41,191	-	-
Debt services	-	2,360,052	155,280	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	10,528,761	2,360,052	155,280	2,442,304	1,234,940	169,131	206,922	-	690,248
Excess (deficiency) of receipts over disbursements	77,727	141,419	(2,749)	(93,787)	187,262	(19,659)	(206,922)	-	52,877
Other financing sources (uses):									
Transfers in	5,602	-	-	-	-	-	186,000	-	-
Transfers out	-	-	-	(58,000)	(128,000)	-	(6,394)	-	-
Total other financing sources (uses)	5,602	-	-	(58,000)	(128,000)	-	179,606	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	83,329	141,419	(2,749)	(151,787)	59,262	(19,659)	(27,316)	-	52,877
Cash and investments - ending	\$ 192,266	\$ 1,549,688	\$ 102,582	\$ 517,312	\$ 393,573	\$ 222,119	\$ 893,786	\$ 30,281	\$ 362,395

NORTHWESTERN SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	NW Boosters Fine Arts Donation	Teacher Quality Improvement Program	Education Technology	Indiana Arts Commission	Scholarships and Awards
Cash and investments - beginning	\$ 105,559	\$ 7,064	\$ 29,637	\$ 94	\$ 67	\$ 35,573	\$ (4,819)	\$ 900	\$ 12
Receipts:									
Local sources	164,262	-	32	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	73,971	-	-	-	-	31,065	202,283	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	238,233	-	32	-	-	31,065	202,283	-	-
Disbursements:									
Instruction	-	-	-	-	-	60,935	-	-	-
Support services	218,645	-	-	-	-	-	213,179	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	218,645	-	-	-	-	60,935	213,179	-	-
Excess (deficiency) of receipts over disbursements	19,588	-	32	-	-	(29,870)	(10,896)	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	4,819	-	-
Transfers out	-	-	-	-	-	(5,606)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(5,606)	4,819	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	19,588	-	32	-	-	(35,476)	(6,077)	-	-
Cash and investments - ending	\$ 125,147	\$ 7,064	\$ 29,669	\$ 94	\$ 67	\$ 97	\$ (10,896)	\$ 900	\$ 12

NORTHWESTERN SCHOOL CORPORATION  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2015  
(Continued)

	Non-English Speaking Programs P.L. 273-1999	School Technology	Mentor Teacher	Title I	Title I FY 2012	Title I FY 2013	Title I FY 2014	Title I FY 2015	IDEA
Cash and investments - beginning	\$ 4,749	\$ 9,175	\$ 175	\$ (53,301)	\$ (36,407)	\$ 14,081	\$ 78,012	\$ -	\$ (105)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	24,197	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	39,351	109,584	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	24,197	-	-	-	-	39,351	109,584	-
Disbursements:									
Instruction	-	-	-	-	-	-	23,824	138,533	-
Support services	-	5,902	-	-	-	-	67	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	5,902	-	-	-	-	23,891	138,533	-
Excess (deficiency) of receipts over disbursements	-	18,295	-	-	-	-	15,460	(28,949)	-
Other financing sources (uses):									
Transfers in	-	-	-	53,301	36,407	-	-	23,909	105
Transfers out	-	-	-	-	-	(14,081)	(93,472)	(6,062)	-
Total other financing sources (uses)	-	-	-	53,301	36,407	(14,081)	(93,472)	17,847	105
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	18,295	-	53,301	36,407	(14,081)	(78,012)	(11,102)	105
Cash and investments - ending	\$ 4,749	\$ 27,470	\$ 175	\$ -	\$ -	\$ -	\$ -	\$ (11,102)	\$ -

NORTHWESTERN SCHOOL CORPORATION  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2015  
(Continued)

	IDEA, Part B- LEA Capacity Building (Sliver) Grants	Maintenance Vending	Improving Teaching Quality, No Child Left, Title II, Part A	Title I - Grants to LEAs	Special Education - Part B	Clearing	Totals
Cash and investments - beginning	\$ 193	\$ -	\$ -	\$ (169)	\$ (1,408)	\$ 98,871	\$ 4,416,579
Receipts:							
Local sources	-	5,568	-	-	-	-	7,501,397
Intermediate sources	-	-	-	-	-	-	114
State sources	-	-	-	-	-	-	10,704,250
Federal sources	-	-	80,393	-	-	-	448,702
Other	-	-	-	-	-	10,582,697	10,582,746
Total receipts	-	5,568	80,393	-	-	10,582,697	29,237,209
Disbursements:							
Instruction	-	1,437	35,462	-	-	-	7,557,335
Support services	-	-	-	-	-	-	6,486,744
Noninstructional services	-	-	-	-	-	-	914,645
Facilities acquisition and construction	-	-	-	-	-	-	1,011,566
Debt services	-	-	-	-	-	-	2,515,332
Nonprogrammed charges	-	-	-	-	-	10,156,557	10,156,557
Total disbursements	-	1,437	35,462	-	-	10,156,557	28,642,179
Excess (deficiency) of receipts over disbursements	-	4,131	44,931	-	-	426,140	595,030
Other financing sources (uses):							
Transfers in	-	-	-	169	1,408	-	311,720
Transfers out	(105)	-	-	-	-	-	(311,720)
Total other financing sources (uses)	(105)	-	-	169	1,408	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(105)	4,131	44,931	169	1,408	426,140	595,030
Cash and investments - ending	\$ 88	\$ 4,131	\$ 44,931	\$ -	\$ -	\$ 525,011	\$ 5,011,609

NORTHWESTERN SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2015

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities:				
Northwestern School Building Corporation	2013 Refunding Bond Issue	\$ 2,014,000	7/15/2013	7/15/2023
Northwestern School Building Corporation	2010 Qualified School Construction	166,500	12/9/2010	1/1/2024
Huntington Bank	Wind Turbine Project	184,000	2/9/2012	6/30/2028
HLFB, Inc. (Huntington Bank)	2008 Energy Savings Contract	295,934	5/28/2008	2/20/2019
Crossroads Bank	Computers	213,038	5/23/2011	7/15/2015
Apple Financial Services	Computers	201,144	4/30/2013	7/12/2017
Total governmental activities		<u>\$ 3,074,616</u>		

<u>Description of Debt</u>		<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
<u>Type</u>	<u>Purpose</u>		
Governmental activities:			
General obligation bonds	Retirement/Severance Bond	\$ 1,050,000	\$ 159,584
Notes and loans payable	Common School Loan	<u>103,323</u>	<u>26,799</u>
Total governmental activities		<u>\$ 1,153,323</u>	<u>\$ 186,383</u>

NORTHWESTERN SCHOOL CORPORATION  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2015

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 22,610
Buildings	37,611,259
Improvements other than buildings	1,369,734
Machinery, equipment, and vehicles	<u>2,589,247</u>
Total capital assets	<u>\$ 41,592,850</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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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 NORTHWESTERN SCHOOL  
CORPORATION, HOWARD COUNTY, INDIANA

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

We have audited the Northwestern 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, 2013 to June 30, 2015. 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, 2013 to June 30, 2015.

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

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003, 2015-004, 2015-005, and 2015-007. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**


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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003, 2015-004, 2015-005, 2015-006, and 2015-007 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

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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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NORTHWESTERN SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2014 and 2015

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 06-30-14	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY13-14 FY14-15	\$ 20,621 -	\$ - 21,229
Total - School Breakfast Program				20,621	21,229
National School Lunch Program	Indiana Department of Education	10.555	FY13-14 FY14-15	249,253 -	- 242,391
Total - National School Lunch Program				249,253	242,391
Total - Child Nutrition Cluster				269,874	263,620
Total - Department of Agriculture				269,874	263,620
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	13-3470 14-3470 15-3470	132,192 80,583 -	- 39,351 109,584
Total - Title I Grants to Local Educational Agencies				212,775	148,935
Total - Title I, Part A Cluster				212,775	148,935
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027	14213-035-PN01 14214-035-PN01 14215-035-PN01 99914-035-TA01 A58-3-13DL-1509	225,027 106,479 - 2,272 68,691	1,639 213,660 110,757 - -
Total - Special Education - Grants to States				402,469	326,056
Special Education - Preschool Grants	Indiana Department of Education	84.173	45712-035-PN01 45713-035-PN01 45714-035-PN01 45715-035-PN01	1,097 1,478 3,347 -	- 713 4,867 4,193
Total - Special Education - Preschool Grants				5,922	9,773
Total - Special Education Cluster (IDEA)				408,391	335,829
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	13-3470 14-3470	42,194 -	- 80,393
Total - Improving Teacher Quality State Grants				42,194	80,393
Total - Department of Education				663,360	565,157
Total federal awards expended				\$ 933,234	\$ 828,777

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

NORTHWESTERN SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation 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, 2014 and 2015. This noncash assistance is also included in the federal expenditures presented in the SEFA.

Program Title	Federal CFDA Number	For the Year Ended June 30, 2014	For the Year Ended June 30, 2015
Child Nutrition Cluster:			
Food Commodities			
National School Lunch Program	10.555	\$ 50,974	\$ 44,246



NORTHWESTERN 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  
Special Education Cluster (IDEA)  
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
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**Section II - Financial Statement Findings**

**FINDING 2015-001 - 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 had 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 operated effectively, material misstatements of the SEFA could have remained undetected.

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

The audit of the SEFA noted that total federal expenditures for fiscal years 2014 and 2015 were understated by \$700,317 and \$289,392, respectively.

The deficiencies discussed above constitute material weaknesses. The errors and omissions on the SEFA were caused by a lack of sufficient internal controls over the preparation of the SEFA and insufficient familiarity with 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.

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.

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

- (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."

***FINDING 2015-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Control activities should have been selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. These deficiencies constituted material weaknesses:

- 1. Bank reconciliations had either not been performed or were inaccurate from July 1, 2013 through August 31, 2014.
- 2. Internal controls were not effective in detecting or preventing erroneous transfers of insurance benefits from being automatically made from various nonfederal funds into the Clearing fund and a subsequent payment of invoices directly from the same funds. This resulted in duplicate payments from the governmental funds and an accumulating balance in the Clearing fund. The errors were detected and corrected in August 2015.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material misstatements of the financial statement 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 approval take place and to have a separation of functions over financial transactions and reporting. 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.

The failure to establish these controls could enable misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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)

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

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

***FINDING 2015-003 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education

Federal Programs: Special Education - Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-035-PN01, 14214-035-PN01,  
14215-035-PN01, 99914-035-TA01

Pass-Through Entity: Indiana Department of Education

*Internal Controls*

Management of the School Corporation had 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 requirement. The School Corporation was a member of the Kokomo Area Special Education Cooperative (KASEC), and provided oversight of the KASEC through the School Corporation Superintendent who served as a member of the KASEC Board. However, the KASEC had not established an effective internal control system in relation to Allowable Costs/Cost Principles.

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.

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."

*Compliance*

Semi-Annual Certifications for fiscal year 2014 could not be located by the KASEC and, therefore, were not presented for audit.

OMB Circular A-87, Attachment B, paragraph 8h(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 firsthand knowledge of the work performed by the employee."

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

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted 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 requirement listed above.

***FINDING 2015-004 - CASH MANAGEMENT***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-3470, 14-3470, 15-3470

Pass-Through Entity: Indiana Department of Education

*Internal Controls*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material misstatements of the financial statement 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 financial transactions and reporting. 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."

*Compliance*

Supporting documentation for the Reimbursement Forms submitted to the Indiana Department of Education by the School Corporation could not be located by corporation officials and, therefore, was not presented for audit. The amounts reimbursed were in agreement with the total dollars expended.

34 CFR 80.42 states in part:

"(b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section . . .

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

(c) *Starting date of retention period-(1) General.* When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or sub-grantee submits to the awarding agency its single or last expenditure report for that period."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement 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 requirement listed above.

***FINDING 2015-005 - REPORTING***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-3470, 14-3470, 15-3470

Pass-Through Entity: Indiana Department of Education

*Internal Controls*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement.

The School Corporation submitted Reimbursement Forms and a Final Expenditure Report at the end of each grant year to the Indiana Department of Education. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with Reporting requirements related to its Title I grants.

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."

*Compliance*

Supporting documentation for the Reimbursement Forms and the Final Expenditure report submitted to the Indiana Department of Education by the School Corporation could not be located by the School Corporation officials and, therefore, was not presented for audit. The Final Expenditure Reports were properly reported per the financial records of the School Corporation. The amounts reimbursed were in agreement with the total dollars expended.

34 CFR 80.42 states in part:

"(b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section . . .

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

(c) *Starting date of retention period-(1) General.* When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or sub-grantee submits to the awarding agency its single or last expenditure report for that period."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirement 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 requirement listed above.

***FINDING 2015-006 - ELIGIBILITY AND REPORTING***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 13-14, FY 14-15

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Eligibility and Reporting compliance requirements. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Eligibility*

Eligibility determinations for free and reduced price meals were made by two separate individuals during the audit period. However, there were no controls in place to ensure the accuracy of the determinations.

*Reporting*

The Sponsor Claims (claims for reimbursement), Annual Financial Reports, and Verification Summary Reports were prepared by the Treasurer; however, there were no controls in place to ensure that the reports were complete and accurate prior to them being submitted.

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 programs. 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.

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

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 have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted 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.

***FINDING 2015-007 - CASH MANAGEMENT***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 13-14, FY 14-15

Pass-Through Entity: Indiana Department of Education

*Internal Controls*

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirement. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation did not have proper controls in place to ensure cash balances of the School Lunch fund did not exceed the average expenditures for three months.

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."

*Compliance*

The School Corporation's average expenditures for three months for fiscal years 2014 and 2015, were \$231,025 and \$230,083, respectively. The School Lunch fund's net cash resources were maintained at an amount in excess of the average expenditures for three months throughout the entire audit period. The School Corporation indicated that they are aware of the matter and have been developing a plan to spend down the excess cash balances.



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

7 CFR section 210.14(b) states: "*Net cash resources*. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e)(1)(iv) states: "Limit its net cash resources to an amount that does not exceed three months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirement could have resulted 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 requirement listed above.

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#### AUDITEE PREPARED DOCUMENTS

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



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

***FINDING 2013-003– INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE NATIONAL SCHOOL LUNCH CLUSTER***

Contact Person Responsible for Corrective Action: Renee’ Hullinger, Food Service Director and Jamie Shepherd-Bryant, Treasurer

Contact Phone Number: (765) 452-3060

Status of Audit Finding:

The School Corporation implemented additional internal controls to ensure segregation of duties. The Food Service Director prepares reports and the Treasurer and/or Superintendent reviews the reports.

***FINDING 2013-004– NONCOMPLIANCE OVER REPORTING AND PROGRAM INCOME – CHILD NUTRITION CLUSTER***

Contact Person Responsible for Corrective Action: Renee’ Hullinger, Food Service Director and Jamie Shepherd-Bryant, Treasurer

Contact Phone Number: (765) 452-3060

Status of Audit Finding:

The Food Service Director now prepares the Annual Report and reflects actual income for the categories as required rather than based on fixed percentages.

***FINDING 2013-005– INTERNAL CONTROLS AND NONCOMPLIANCE OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE TITLE I, PART A CLUSTER***

Contact Person Responsible for Corrective Action: Jamie Shepherd-Bryant, Treasurer

Contact Phone Number: (765) 452-3060

Status of Audit Finding:

The School Corporation implemented additional internal controls to ensure segregation of duties. The Assistant Treasurer and Title I Program Administrator submit requisitions for expenditure and the Treasurer and Superintendent approve the expenditures.

The Treasurer submits Claims for Reimbursement to the Indiana Department of Education. The Superintendent reviews the claims and now signs off on the reports to be able to provide a written record of his review. All supporting documentation is being retained for auditing purposes.

(See next page for signature)



**Northwestern**  
School Corporation • Kokomo, IN

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*"Excellence in Education is a Tradition"*

Jamie L. Shepherd-Bryant  
Business Manager/Treasurer  
05/06/2016

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3075 N. Washington St., Kokomo, IN 46901  
(765) 452-3060 | Fax: (765) 452-3065 | [www.nwsc.k12.in.us](http://www.nwsc.k12.in.us)

SCHOOL BOARD: JONATHAN UNDERWOOD | TED MERRELL | BRYAN ALEXANDER | TODD MOSER | STEVEN JONES  
RYAN SNODDY, SUPERINTENDENT | HAROLD SEAMON, ASST. SUPERINTENDENT | SCOTT SIMMONS, DIRECTOR OF CURRICULUM & TECH. | JAMIE SHEPHERD-BRYANT, TREASURER



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**CORRECTIVE ACTION PLAN**

***FINDING 2015-001– PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

Contact Person Responsible for Corrective Action: Jamie Shepherd-Bryant, Treasurer  
Contact Phone Number: (765) 452-3060

**Description of Corrective Action Plan:**

Due to SEFA being a relatively new requirement to complete and an insufficient familiarity with some of the required elements of the SEFA, 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 as a non-cash federal expenditure and that will be correctly reported on the next SEFA when filing the Annual Financial Report.

Anticipated Completion Date: Immediate

***FINDING 2015-002– INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

Contact Person Responsible for Corrective Action: Jamie Shepherd-Bryant, Treasurer  
Contact Phone Number: (765) 452-3060

**Description of Corrective Action Plan:**

Procedures were implemented after an internal review of the internal control system in August of 2014 under the direction of the new Treasurer. The Treasurer will continue to prepare the reconciliation reports and the Superintendent will continue to review the reports. Reports are also provided monthly to the School Board.

Due to new financial software being implemented and continued expansion of use of the software, an error occurred in the setup of the benefit processing which caused the expenditure to report automatically out of various non-federal funds instead of the clearing fund established. Duplicate payments were not made. Proper accounting records were maintained to show the amounts transferred out of the clearing accounts to the various non-federal funds. The newly established benefit process was amended to properly automatically expend from the clearing account. The Assistant Treasurer will continue to report expenditures out of the clearing accounts and the Treasurer and Superintendent will continue to review those reports. Reports are also provided monthly to the School Board.

***FINDING 2015-003– ALLOWABLE COSTS/COST PRINCIPLES***

Contact Person Responsible for Corrective Action: Ryan Snoddy, Superintendent and Suzie Reagle, Director of Special Education, KASEC  
Contact Phone Number: (765) 452-3060 and (765) 883-1487

**Description of Corrective Action Plan:**

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3075 N. Washington St., Kokomo, IN 46901  
(765) 452-3060 | Fax: (765) 452-3065 | [www.nwsc.k12.in.us](http://www.nwsc.k12.in.us)

SCHOOL BOARD: JONATHAN UNDERWOOD | TED MERRELL | BRYAN ALEXANDER | TODD MOSER | STEVEN JONES  
RYAN SNODDY, SUPERINTENDENT | HAROLD SEAMON, ASST. SUPERINTENDENT | SCOTT SIMMONS, DIRECTOR OF CURRICULUM & TECH. | JAMIE SHEPHERD-BRYANT, TREASURER





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***“Excellence in Education is a Tradition”***

The Co-Op Board, comprised of Superintendents for each participating school, will clarify with the Special Education Co-Op Management Team that they are maintaining effective internal controls. The board will together determine the appropriate segregation of duties and identify reports which will allow individual schools to be in compliance on segregation of duties and oversight of this grant.

The KASEC Director of Special Education Suzie Regale, believes 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

***FINDING 2015-004– CASH MANAGEMENT***

Contact Person Responsible for Corrective Action: Jamie Shepherd-Bryant, Treasurer  
Contact Phone Number: (765) 452-3060

**Description of Corrective Action Plan:**

Procedures were implemented after an internal review of the internal control system in August of 2014 under the direction of the new Treasurer. The Assistant Treasurer and Title I Program Administrator will continue to submit requisitions for expenditure and the Treasurer and Superintendent will continue to approve the expenditures.

Supporting documentation from the prior Treasurer could not be assembled in a timely manner during the audit period; however, all current documentation is being retained for auditing purposes.

Anticipated Completion Date: Immediate

***FINDING 2015-005– REPORTING***

Contact Person Responsible for Corrective Action: Jamie Shepherd-Bryant, Treasurer  
Contact Phone Number: (765) 452-3060

**Description of Corrective Action Plan:**

The Treasurer will continue to submit Claims for Reimbursement to the Indiana Department of Education. The Superintendent will continue to review the claims; however, will now sign off on the reports to be able to provide a written record of his review.

Supporting documentation from the prior Treasurer could not be assembled in a timely manner during the audit period; however, all current documentation is being retained for auditing purposes.

Anticipated Completion Date: Immediate



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**FINDING 2015-006— ELIGIBILITY AND REPORTING**

Contact Person Responsible for Corrective Action: Ryan Snoddy, Superintendent  
Contact Phone Number: (765) 452-3060

**Description of Corrective Action Plan:**

Eligibility determinations for free and reduced price meals were made by two separate individuals during the audit period. Additional internal controls were implemented at the beginning of the 2015-16 school year to ensure a second review of applications were being performed. Applications are processed primarily by Sheila Lamb. Michele Short reviews 20% to ensure accuracy of data entry. If errors are detected, a higher percentage is reviewed.

The Food Service Director will continue to submit the Requests for Reimbursement, Annual Financial Reports, and Verification Summary Reports. The Treasurer and/or Superintendent will continue to review the reports; however, will now sign off on the reports to be able to provide a written record of this review.

Anticipated Completion Date: Immediate


**FINDING 2015-007— CASH MANAGEMENT**

Contact Person Responsible for Corrective Action: Renee' Hullinger, Food Service Director  
Contact Phone Number: (765) 452-3060

**Description of Corrective Action Plan:**

The Food Service Director has implemented a plan to utilize excess cash balance in the School Lunch Fund that exceeds an average of three months' worth of expenditures on large purchases for kitchen equipment. The Food Service Director will review the plan at the beginning of each school year. The Treasurer will continue to report cash balances monthly. The Superintendent and School Board will continue to review reports monthly.

Anticipated Completion Date: Ongoing

  
Jamie L. Shepherd-Bryant  
Business Manager/Treasurer  
05/06/2016



#### 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/>.