

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SOUTHERN WELLS COMMUNITY SCHOOLS  
WELLS COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
05/27/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Vicki S. Andrews	07-01-12 to 06-30-16
Superintendent of Schools	James L. Craig	07-01-12 to 06-30-16
President of the School Board	Douglas Klefeker Chad Roush	07-01-12 to 12-31-14 01-01-15 to 12-31-16



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTHERN WELLS COMMUNITY SCHOOLS, WELLS COUNTY, INDIANA

**Report on the Financial Statement**

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

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, 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 March 17, 2016, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

March 17, 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 SOUTHERN WELLS COMMUNITY SCHOOLS, WELLS 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 Southern Wells Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated March 17, 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 2014-001 and 2014-002 to be material weaknesses.

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

**Compliance and Other Matters**


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

**Southern Wells Community Schools' Response to Findings**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

March 17, 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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SOUTHERN WELLS COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12		Other Financing Sources (Uses)		Cash and Investments 06-30-13		Other Financing Sources (Uses)		Cash and Investments 06-30-14	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
General	\$ 823,599	\$ 5,019,371	\$ 4,478,712	\$ (259,949)	\$ 1,104,309	\$ 5,010,410	\$ 4,809,938	\$ (294,490)	\$ 1,010,291	
Referendum Tax Levy	92,123	328,208	405,150	-	15,181	378,662	261,121	-	132,722	
Debt Service	91,447	325,231	288,037	(34,505)	94,136	345,769	280,156	(1,486)	158,263	
Capital Projects	270,382	609,848	761,187	-	119,043	717,732	697,920	-	138,855	
School Transportation	340,422	624,155	579,639	(73,475)	311,463	633,128	546,413	(44,901)	353,277	
School Bus Replacement	46,376	164,589	122,826	-	88,139	166,163	140,314	-	113,988	
Rainy Day	298,169	-	-	410,000	708,169	-	127,437	350,000	930,732	
School Lunch	29,336	347,464	334,913	-	41,887	349,433	333,430	-	57,890	
Textbook Rental	39,376	83,418	53,285	4,505	74,014	86,978	86,829	1,486	75,649	
Levy Excess	12,618	-	-	(12,618)	-	-	-	-	-	
Educational License Plates	38	94	59	-	73	94	-	-	167	
Early Intervention Grant	-	5,000	2,923	-	2,077	-	2,077	-	-	
Wells County Foundation Grant	49	6,025	4,059	-	2,015	11,859	7,211	-	6,663	
Driver's Education	13,479	10,455	7,231	(6,525)	10,178	19,665	11,718	(5,099)	13,026	
CADA Grant	1,500	324	1,824	-	-	681	-	-	681	
Fuel Up To Play 60 Grant	-	2,137	1,318	-	819	-	651	-	168	
High Ability Grant	27,363	26,666	13,166	(27,363)	13,500	26,814	21,903	-	18,411	
Early Childhood Intervention (First Steps)	-	5,000	3,070	-	1,930	-	1,452	-	478	
Non-English Speaking Programs P.L. 273-1999	2,913	-	-	-	2,913	-	-	-	2,913	
School Technology	7,370	7,971	16,917	-	(1,576)	8,837	5,198	-	2,063	
Title I	-	129,121	129,121	-	-	94,719	78,874	-	15,845	
Title V Part A FY 08-09	786	-	780	-	6	-	-	-	6	
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	1,815	-	(1,815)	69,700	67,885	-	-	
Vocational and Technical Board Grants	390	12,134	9,254	-	3,270	10,122	10,158	-	3,234	
Improving Teaching Quality, No Child Left, Title II, Part A	(19,613)	18,095	3,996	-	(5,514)	9,568	21,755	-	(17,701)	
Title II Part A 2011-12	-	12,891	12,891	-	-	-	-	-	-	
Clearing	2,505	1,345,386	1,345,396	-	2,495	1,442,353	1,440,691	-	4,157	
Education Jobs	-	3,050	3,050	-	-	-	-	-	-	
<b>Totals</b>	<b>\$ 2,080,628</b>	<b>\$ 9,086,633</b>	<b>\$ 8,580,619</b>	<b>\$ 70</b>	<b>\$ 2,586,712</b>	<b>\$ 9,382,687</b>	<b>\$ 8,953,131</b>	<b>\$ 5,510</b>	<b>\$ 3,021,778</b>	

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

SOUTHERN WELLS COMMUNITY SCHOOLS  
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.

SOUTHERN WELLS COMMUNITY SCHOOLS  
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.

SOUTHERN WELLS COMMUNITY SCHOOLS  
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.

SOUTHERN WELLS COMMUNITY SCHOOLS  
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 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.

SOUTHERN WELLS COMMUNITY SCHOOLS  
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 a result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation were not received by June 30, 2013, and June 30, 2014.

#### 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.

SOUTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013

	General	Referendum Tax Levy	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 823,599	\$ 92,123	\$ 91,447	\$ 270,382	\$ 340,422	\$ 46,376	\$ 298,169	\$ 29,336	\$ 39,376	\$ 12,618
Receipts:										
Local sources	35,642	328,208	325,231	609,848	624,155	164,589	-	210,590	61,636	-
Intermediate sources	19	-	-	-	-	-	-	-	-	-
State sources	4,956,069	-	-	-	-	-	-	4,946	21,782	-
Federal sources	-	-	-	-	-	-	-	131,928	-	-
Other	27,641	-	-	-	-	-	-	-	-	-
Total receipts	5,019,371	328,208	325,231	609,848	624,155	164,589	-	347,464	83,418	-
Disbursements:										
Current:										
Instruction	2,846,200	405,150	-	-	-	-	-	-	-	-
Support services	1,498,925	-	-	355,484	579,639	122,826	-	-	53,285	-
Noninstructional services	133,587	-	-	-	-	-	-	332,864	-	-
Facilities acquisition and construction	-	-	-	405,703	-	-	-	2,049	-	-
Debt services	-	-	288,037	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	4,478,712	405,150	288,037	761,187	579,639	122,826	-	334,913	53,285	-
Excess (deficiency) of receipts over disbursements	540,659	(76,942)	37,194	(151,339)	44,516	41,763	-	12,551	30,133	-
Other financing sources (uses):										
Sale of capital assets	70	-	-	-	-	-	-	-	-	-
Transfers in	39,981	-	-	-	6,525	-	410,000	-	4,505	-
Transfers out	(300,000)	-	(34,505)	-	(80,000)	-	-	-	-	(12,618)
Total other financing sources (uses)	(259,949)	-	(34,505)	-	(73,475)	-	410,000	-	4,505	(12,618)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	280,710	(76,942)	2,689	(151,339)	(28,959)	41,763	410,000	12,551	34,638	(12,618)
Cash and investments - ending	\$ 1,104,309	\$ 15,181	\$ 94,136	\$ 119,043	\$ 311,463	\$ 88,139	\$ 708,169	\$ 41,887	\$ 74,014	\$ -

SOUTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Educational License Plates	Early Intervention Grant	Wells County Foundation Grant	Driver's Education	CADA Grant	Fuel Up To Play 60 Grant	High Ability Grant	Early Childhood Intervention (First Steps)	Non-English Speaking Programs P.L. 273-1999	School Technology
Cash and investments - beginning	\$ 38	\$ -	\$ 49	\$ 13,479	\$ 1,500	\$ -	\$ 27,363	\$ -	\$ 2,913	\$ 7,370
Receipts:										
Local sources	-	-	6,025	10,455	324	2,137	-	-	-	-
Intermediate sources	94	-	-	-	-	-	-	-	-	-
State sources	-	5,000	-	-	-	-	26,666	5,000	-	7,971
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	94	5,000	6,025	10,455	324	2,137	26,666	5,000	-	7,971
Disbursements:										
Current:										
Instruction	-	2,923	4,059	7,231	1,824	1,318	13,166	3,070	-	-
Support services	59	-	-	-	-	-	-	-	-	16,917
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	59	2,923	4,059	7,231	1,824	1,318	13,166	3,070	-	16,917
Excess (deficiency) of receipts over disbursements	35	2,077	1,966	3,224	(1,500)	819	13,500	1,930	-	(8,946)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(6,525)	-	-	(27,363)	-	-	-
Total other financing sources (uses)	-	-	-	(6,525)	-	-	(27,363)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	35	2,077	1,966	(3,301)	(1,500)	819	(13,863)	1,930	-	(8,946)
Cash and investments - ending	\$ 73	\$ 2,077	\$ 2,015	\$ 10,178	\$ -	\$ 819	\$ 13,500	\$ 1,930	\$ 2,913	\$ (1,576)

SOUTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Title I	Title V Part A FY 08-09	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Vocational and Technical Board Grants	Improving Teaching Quality No Child Left, Title II, Part A	Title II Part A 2011-12	Clearing	Education Jobs	Totals
Cash and investments - beginning	\$ -	\$ 786	\$ -	\$ 390	\$ (19,613)	\$ -	\$ 2,505	\$ -	\$ 2,080,628
Receipts:									
Local sources	-	-	-	4,959	-	-	-	-	2,383,799
Intermediate sources	-	-	-	-	-	-	-	-	113
State sources	-	-	-	-	-	-	-	-	5,027,434
Federal sources	129,121	-	-	7,175	18,095	12,891	-	3,050	302,260
Other	-	-	-	-	-	-	1,345,386	-	1,373,027
Total receipts	129,121	-	-	12,134	18,095	12,891	1,345,386	3,050	9,086,633
Disbursements:									
Current:									
Instruction	112,099	-	1,815	9,254	(1,957)	12,891	-	-	3,419,043
Support services	17,022	780	-	-	5,953	-	-	3,050	2,653,940
Noninstructional services	-	-	-	-	-	-	-	-	466,451
Facilities acquisition and construction	-	-	-	-	-	-	-	-	407,752
Debt services	-	-	-	-	-	-	-	-	288,037
Nonprogrammed charges	-	-	-	-	-	-	1,345,396	-	1,345,396
Total disbursements	129,121	780	1,815	9,254	3,996	12,891	1,345,396	3,050	8,580,619
Excess (deficiency) of receipts over disbursements	-	(780)	(1,815)	2,880	14,099	-	(10)	-	506,014
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	70
Transfers in	-	-	-	-	-	-	-	-	461,011
Transfers out	-	-	-	-	-	-	-	-	(461,011)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	70
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(780)	(1,815)	2,880	14,099	-	(10)	-	506,084
Cash and investments - ending	\$ -	\$ 6	\$ (1,815)	\$ 3,270	\$ (5,514)	\$ -	\$ 2,495	\$ -	\$ 2,586,712

SOUTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014

	General	Referendum Tax Levy	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 1,104,309	\$ 15,181	\$ 94,136	\$ 119,043	\$ 311,463	\$ 88,139	\$ 708,169	\$ 41,887	\$ 74,014	\$ -
Receipts:										
Local sources	68,437	378,662	345,769	717,732	633,128	166,163	-	204,447	65,699	-
Intermediate sources	41	-	-	-	-	-	-	-	-	-
State sources	4,939,145	-	-	-	-	-	-	5,234	21,279	-
Federal sources	-	-	-	-	-	-	-	139,752	-	-
Other	2,787	-	-	-	-	-	-	-	-	-
Total receipts	5,010,410	378,662	345,769	717,732	633,128	166,163	-	349,433	86,978	-
Disbursements:										
Current:										
Instruction	3,068,429	261,121	-	-	-	-	127,437	-	-	-
Support services	1,613,822	-	-	353,685	546,413	140,314	-	-	86,829	-
Noninstructional services	127,687	-	-	-	-	-	-	323,242	-	-
Facilities acquisition and construction	-	-	-	344,235	-	-	-	10,188	-	-
Debt services	-	-	280,156	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	4,809,938	261,121	280,156	697,920	546,413	140,314	127,437	333,430	86,829	-
Excess (deficiency) of receipts over disbursements	200,472	117,541	65,613	19,812	86,715	25,849	(127,437)	16,003	149	-
Other financing sources (uses):										
Sale of capital assets	5,510	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	5,099	-	350,000	-	1,486	-
Transfers out	(300,000)	-	(1,486)	-	(50,000)	-	-	-	-	-
Total other financing sources (uses)	(294,490)	-	(1,486)	-	(44,901)	-	350,000	-	1,486	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(94,018)	117,541	64,127	19,812	41,814	25,849	222,563	16,003	1,635	-
Cash and investments - ending	\$ 1,010,291	\$ 132,722	\$ 158,263	\$ 138,855	\$ 353,277	\$ 113,988	\$ 930,732	\$ 57,890	\$ 75,649	\$ -

SOUTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Educational License Plates	Early Intervention Grant	Wells County Foundation Grant	Driver's Education	CADA Grant	Fuel Up To Play 60 Grant	High Ability Grant	Early Childhood Intervention (First Steps)	Non-English Speaking Programs P.L. 273-1999	School Technology
Cash and investments - beginning	\$ 73	\$ 2,077	\$ 2,015	\$ 10,178	\$ -	\$ 819	\$ 13,500	\$ 1,930	\$ 2,913	\$ (1,576)
Receipts:										
Local sources	-	-	11,859	19,665	681	-	-	-	-	-
Intermediate sources	94	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	26,814	-	-	8,837
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	94	-	11,859	19,665	681	-	26,814	-	-	8,837
Disbursements:										
Current:										
Instruction	-	2,077	7,211	11,718	-	651	21,903	1,452	-	-
Support services	-	-	-	-	-	-	-	-	-	5,198
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	2,077	7,211	11,718	-	651	21,903	1,452	-	5,198
Excess (deficiency) of receipts over disbursements	94	(2,077)	4,648	7,947	681	(651)	4,911	(1,452)	-	3,639
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(5,099)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(5,099)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	94	(2,077)	4,648	2,848	681	(651)	4,911	(1,452)	-	3,639
Cash and investments - ending	\$ 167	\$ -	\$ 6,663	\$ 13,026	\$ 681	\$ 168	\$ 18,411	\$ 478	\$ 2,913	\$ 2,063

SOUTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Title I	Title V Part A FY 08-09	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Vocational and Technical Board Grants	Improving Teaching Quality No Child Left, Title II, Part A	Title II Part A 2011-12	Clearing	Education Jobs	Totals
Cash and investments - beginning	\$ -	\$ 6	\$ (1,815)	\$ 3,270	\$ (5,514)	\$ -	\$ 2,495	\$ -	\$ 2,586,712
Receipts:									
Local sources	-	-	-	10,122	-	-	-	-	2,622,364
Intermediate sources	-	-	-	-	-	-	-	-	135
State sources	-	-	-	-	-	-	-	-	5,001,309
Federal sources	94,719	-	69,700	-	9,568	-	-	-	313,739
Other	-	-	-	-	-	-	1,442,353	-	1,445,140
Total receipts	94,719	-	69,700	10,122	9,568	-	1,442,353	-	9,382,687
Disbursements:									
Current:									
Instruction	76,739	-	67,885	10,158	19,844	-	-	-	3,676,625
Support services	2,135	-	-	-	1,911	-	-	-	2,750,307
Noninstructional services	-	-	-	-	-	-	-	-	450,929
Facilities acquisition and construction	-	-	-	-	-	-	-	-	354,423
Debt services	-	-	-	-	-	-	-	-	280,156
Nonprogrammed charges	-	-	-	-	-	-	1,440,691	-	1,440,691
Total disbursements	78,874	-	67,885	10,158	21,755	-	1,440,691	-	8,953,131
Excess (deficiency) of receipts over disbursements	15,845	-	1,815	(36)	(12,187)	-	1,662	-	429,556
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	5,510
Transfers in	-	-	-	-	-	-	-	-	356,585
Transfers out	-	-	-	-	-	-	-	-	(356,585)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	5,510
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,845	-	1,815	(36)	(12,187)	-	1,662	-	435,066
Cash and investments - ending	\$ 15,845	\$ 6	\$ -	\$ 3,234	\$ (17,701)	\$ -	\$ 4,157	\$ -	\$ 3,021,778

SOUTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF LEASES AND DEBT  
June 30, 2014

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
Common School Loan	Common School Loan	\$ 1,300,000	\$ 250,000
Veteran's Memorial Loan	Veteran's Memorial Loan	<u>10,750</u>	<u>10,857</u>
Totals		<u>\$ 1,310,750</u>	<u>\$ 260,857</u>

SOUTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2014

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	\$ 42,500
Buildings	20,700,554
Improvements other than buildings	250,000
Machinery, equipment, and vehicles	859,232
Books and other	<u>42,000</u>
Total capital assets	<u>\$ 21,894,286</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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 SOUTHERN WELLS COMMUNITY SCHOOLS, WELLS COUNTY, INDIANA

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

We have audited the Southern Wells Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014.

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

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-004, 2014-005, and 2014-006. 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 2014-003, 2014-004, 2014-005, 2014-006, and 2014-007 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

March 17, 2016

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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SOUTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2013 and 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY12-13/13-14	\$ 3,959	\$ 5,736
National School Lunch Program	Indiana Department of Education	10.555	FY12-13/13-14	151,699	158,880
Total - Child Nutrition Cluster				<u>155,658</u>	<u>164,616</u>
Total - Department of Agriculture				<u>155,658</u>	<u>164,616</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			13-8425	129,121	-
			14-8425	-	94,719
Total - Title I Grants to Local Educational Agencies				<u>129,121</u>	<u>94,719</u>
Total - Title I, Part A Cluster				<u>129,121</u>	<u>94,719</u>
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027			
			14213-001-PN01	116,856	54,667
			14214-001-PN01	-	120,606
			99914-001-TA01	-	2,674
			14-8425	-	69,700
Total - Special Education - Grants to States				<u>116,856</u>	<u>247,647</u>
Special Education - Preschool Grants	Indiana Department of Education	84.173			
			14713-001-PN01	4,482	3,611
			45714-001-PN01	-	6,741
Total - Special Education - Preschool Grants				<u>4,482</u>	<u>10,352</u>
Total - Special Education Cluster (IDEA)				<u>121,338</u>	<u>257,999</u>
Career and Technical Education - Basic Grants to States	Bluffton-Harrison Metropolitan School District	84.048			
			FY13	12,134	-
			FY14	-	10,122
Total - Career and Technical Education - Basic Grants to States				<u>12,134</u>	<u>10,122</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			FY12	18,095	-
			FY13	12,891	-
			FY14	-	9,568
Total - Improving Teacher Quality State Grants				<u>30,986</u>	<u>9,568</u>
Education Jobs Fund	Indiana Department of Education	84.410			
			11-8425	3,050	-
Total - Department of Education				<u>296,629</u>	<u>372,408</u>
Total federal awards expended				<u>\$ 452,287</u>	<u>\$ 537,024</u>

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

SOUTHERN WELLS COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	For the Year Ended June 30, 2013	For the Year Ended June 30, 2014
National School Lunch Program	10.555	\$ 23,730	\$ 24,864

SOUTHERN WELLS COMMUNITY SCHOOLS  
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)

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

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

During the audit of the SEFA, we noted the following errors:

1. No federal expenditures were reported for the fiscal year ending June 30, 2013.

SOUTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. The only federal expenditures reported for the fiscal year ending June 30, 2014, was an Improving Teacher Quality State Grant in the amount of \$8,403.

In total, the SEFA was under reported in fiscal year ending June 30, 2013, by \$452,287 and fiscal year ending June 30, 2014, by \$528,621. 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.

SOUTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

***FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts and cash. There is no segregation of duties, including an oversight, review, or approval process.

One individual was responsible for preparing the bank reconciliation. The same individual issues receipts and prepares the bank deposit. Bank reconciliations were not reviewed or approved to ensure that they were complete and accurate.

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)

SOUTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

***FINDING 2014-003 - CASH MANAGEMENT, ELIGIBILITY, PROGRAM INCOME, AND SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)***

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program

CFDA Number: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, such as an oversight or approval process, related to the following compliance requirements that have a direct and material effect to the programs: Cash Management, Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Cash Management*

Federal regulations require schools to maintain a food service balance less than or equal to 3 months average operating expenses. The School Corporation has a lack of internal control over their food service balance. The School Corporation did not establish a control to ensure that the food service balance is less than or equal to 3 months average operating expenses.

*Eligibility*

A parent must file an application for their child to qualify for free or reduced price meals unless the child qualifies through direct certification. For all applications filed, the Deputy Treasurer made the determination as to whether a child qualified for free or reduced priced meals. There was no control in place to ensure the accuracy of the determinations.

*Program Income*

The School Board approved meal prices; however, there is no control in place to ensure that the prices approved were being correctly charged by the individual schools.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)*

Federal regulations require that schools select and verify a sample of their approved free and reduced price meal applications on file as of October 1. The Deputy Treasurer performed the verifications; however, there was no control in place to determine whether the verifications performed were correct.

SOUTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirements noted above.

***FINDING 2014-004 - EQUIPMENT AND REAL PROPERTY MANAGEMENT***

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program

CFDA Number: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): FY 12-13 and FY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirements. The failure to establish an effective control system places 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 also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation was required to maintain a listing of property purchased from the School Lunch fund. There was no such control in place to ensure whether the property listing was prepared.

The School Corporation did not maintain a listing of equipment purchased from the School Lunch fund. Equipment totaling \$17,050 was purchased from the School Lunch fund and was not recorded in the equipment and property records of the School Corporation. A physical inventory of the equipment was not taken.

SOUTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 3016.32 states in part:

"(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

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.

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."

Failure to maintain detailed and accurate property records and to reconcile physical inventory could result in equipment being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirements.

SOUTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2014-005 - REPORTING**

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): FY 2012-13, FY 2013-14  
Pass-Through Entity: Indiana Department of Education

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

The School Corporation submits an Annual Financial Report at the end of each grant year to the Indiana Department of Education. There is no control in place to ensure that these reports are accurate. The Annual Financial Reports submitted did not agree with the financial records of the School Corporation.

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting Records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlay, or expenditures, and income. . . .
- (4) *Budget Control.* Actual expenditures or capital outlay must be compared with budgeted amounts for each grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled check, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

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.

SOUTHERN WELLS COMMUNITY SCHOOLS  
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 enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and the reporting compliance requirements.

***FINDING 2014-006 - SPECIAL TEST AND PROVISIONS - PAID LUNCH EQUITY***

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

Federal Award Number and Year (or Other Identifying Number): FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and Special Tests and Provisions - Paid Lunch Equity compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Federal regulations require that schools annually review their paid lunch revenue to assure compliance with the Paid Lunch Equity requirement. Schools must calculate their weighted-average price to determine if it has sufficient funding for paid meals served. The Deputy Treasurer calculated the weighted-average price for the School Corporation; however, there was no control to ensure that the calculation was correct.

The School Corporation did not charge prices based in Paid Lunch Equity based on the calculations, nor were the calculations retained for audit.

7 CFR 210.15(b) states in part:

*"Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

(6) Records to document compliance with the requirements in §210.14(e) . . ."

SOUTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 210.14(e) states in part:

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

- (1) *Calculation procedures.* Each school food authority shall:
  - (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
  - (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
  - (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

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.

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."

Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, to ensure compliance with the grant agreement and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

***FINDING 2014-007 - CASH MANAGEMENT, EQUIPMENT AND REAL PROPERTY MANAGEMENT, LEVEL OF EFFORT, PERIOD OF AVAILABILITY, SUSPENSION AND DEBARMENT, AND REPORTING***

Federal Agency: Department of Education  
Federal Program: Special Education - Grants to States  
CFDA Number: 84.027  
Federal Award Number and Year (or Other Identifying Number): 14-8425  
Pass-Through Entity: Indiana Department of Education

SOUTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, such as an oversight or approval process, related to the following compliance requirements that have a direct and material effect to the program: Cash Management, Equipment and Real Property Management, Level of Effort, Period of Availability, Suspension and Debarment, Reporting. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Cash Management*

Federal regulations require schools to except money prior to being reimbursed. The School Corporation has lack of internal control over Cash Management.

*Equipment and Real Property Management*

Federal regulations require that schools maintain a detailed listing of property purchased. The School Corporation maintains a listing of property purchased, but there are no controls in place to ensure that the property listing prepared was complete and accurate.

*Level of Effort*

The grant agreement requires that the School Corporation maintain level of effort. The School Corporation is in compliance with this requirement, but does not have controls in place to monitor compliance.

*Period of Availability*

The grant agreement shows the dates during which expenditures from the grant must be made. The School Corporation did not establish a control to ensure that the expenditures reported fell within the period of availability.

*Suspension and Debarment*

There are no vendors being used who have been suspended or debarred. However, the School Corporation has not implemented controls to monitor compliance with the requirement.

*Reporting*

The School Corporation submits Claims for Reimbursement and a Final Expenditure Report as required by the Indiana Department of Education. The individual preparing the reports submits the reports without a control in place to determine whether the reports were accurate.

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.

SOUTHERN WELLS COMMUNITY SCHOOLS  
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 enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirements noted above.

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AUDITEE PREPARED DOCUMENT

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

# SOUTHERN WELLS COMMUNITY SCHOOLS

9120S 300 West, Poneto IN 46781  
PH 765-728-5537 FAX 765-728-8124

## OFFICE OF THE SUPERINTENDENT

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[rminniewar@swell.k12.in.us](mailto:rminniewar@swell.k12.in.us)

### Southern Wells Community Schools

#### CORRECTIVE ACTION PLANS

Contact Person Responsible for Corrective Actions: Vicki Andrews

Contact Phone Number: (765) 728-5537

#### **FINDING 2014-001**

Description of Corrective Action Plan:

The District Treasurer when preparing the annual report, will utilize the business office staff to ensure that errors will be prevented, detected, and /or corrected.

Anticipated Completion Date:

Ongoing – the findings will require review of the various errors. The anticipated completion will be the summer of 2016, prior to the completion of the annual report.

#### **FINDING 2014-002**

Description of Corrective Action Plan:

The District Treasurer will direct the business office staff to have a second staff member as part of the segregation of duties review the receipting, disbursing, recording, and accounting for the financial activities.

Anticipated Completion Date:

The procedures will be in place by March 31, 2016.

#### **FINDING 2014-003**

Description of Corrective Action Plan:

##### Cash Management

The District Deputy Treasurer will direct the business office staff to ensure that the food service balance is less than or equal to three months average operating expenses by having a second staff member as part of the segregation of duties review the balance. Printed and signed.

##### Eligibility

The District Deputy Treasurer will direct the school office staff to appoint a second person as part of the segregation of duties to ensure that a child qualified for free or reduced meal prices. Printed and signed.

##### Program Income

The District Deputy Treasurer will direct the school office staff and /or business office staff to ensure that the prices approved are correctly being charged by the individual schools as part of the segregation of duties. Printed and signed.

**FINDING 2014-004**

The Superintendent and District Treasurer will review and/or propose a district policy for the equipment and real property management. After the policy has been reviewed and/or proposed to the School Board, a vendor and/or staff member will perform a physical inventory of the School Lunch Fund equipment. Printed and signed by two members of the staff or vendor as part of the segregation of duties.

Anticipated Completion Date:

Ongoing – The findings will require a continual inventory one the policy is put into practice. The policy has been pasted by the School Board and is in place as of March 8, 2016.

**FINDING 2014-005**

Description of Corrective Action Plan:

The District Deputy Treasurer will direct the business office staff to appoint a second person as part of the segregation of duties to review and to ensure the compliance with the grant agreement and reporting. Printed and signed.

Anticipated Completion Date:

The segregation of duties will be put in place prior to the Reporting tool completion for the summer 2016.

**FINDING 2014-006**

Description of Corrective Action Plan:

The District Deputy Treasurer will direct the business office staff to appoint a second person as part of the segregation of duties to review the Paid Lunch Equity tool to ensure the compliance with the grant agreement. Printed and signed.

Anticipated Completion Date:

The segregation of duties and will be put in place prior to the Paid Lunch Equity tool completion for the summer 2016.

**FINDING 2014-007**

Description of Corrective Action Plan:

The District Treasurer will direct the business office staff to appoint a second person as part of the segregation and approval process to ensure the compliance with the cash management, equipment and real property management, level of effort, period of availability, suspension and debarment, and reporting in compliance with the special education-grants to States. Printed and signed.

Anticipated Completion Date:

The procedure will be put in place by Summer 2016.

  
\_\_\_\_\_  
(Signature)  
District Treasurer

3/16/16

#### 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/>.