

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NETTLE CREEK SCHOOL CORPORATION
WAYNE COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
09/15/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judy Cole	07-01-13 to 06-30-18
Superintendent of Schools	Dr. William Doering	07-01-13 to 06-30-18
President of the School Board	Cary Rhoades	01-01-13 to 12-31-17



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NETTLE CREEK SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Nettle Creek 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 from 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 to 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 July 26, 2017, 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

July 26, 2017



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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 NETTLE CREEK SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Nettle Creek 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 July 26, 2017, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from 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 2015-001.

Nettle Creek 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

July 26, 2017

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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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NETTLE CREEK 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			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-13	Receipts	Disbursements		06-30-14	Receipts	Disbursements		
General	\$ 164,197	\$ 7,065,672	\$ 6,792,415	\$ 592	\$ 438,046	\$ 7,118,788	\$ 6,363,193	\$ -	\$ 1,193,641
Debt Service	595,050	1,362,508	1,279,477	(30,241)	647,840	1,338,256	1,296,159	-	689,937
Capital Projects	843,518	794,617	688,949	-	949,186	795,383	1,154,729	(12,540)	577,300
School Transportation	23,936	623,379	590,140	-	57,175	626,225	554,296	(10,473)	118,631
School Bus Replacement	98,721	95,512	124,455	5,253	75,031	95,398	49,114	23,013	144,328
Rainy Day	85,773	-	-	-	85,773	-	-	-	85,773
Construction	12,546	-	2,000	-	10,546	-	500	-	10,046
School Lunch	91,794	486,069	422,404	-	155,459	441,263	448,658	-	148,064
Textbook Rental	91,740	126,629	126,583	30,241	122,027	127,055	69,524	-	179,558
Levy Excess	-	-	-	-	-	650	-	-	650
Educational License Plates	6,496	169	-	-	6,665	113	-	-	6,778
Alternative Education	-	2,047	2,047	-	-	5,025	5,025	-	-
Bus Stop Arm Camera Fund	-	-	-	-	-	1,636	1,636	-	-
Indiana YRBS	350	-	350	-	-	254	-	-	254
Reed House Memorial Fund	318	-	-	-	318	-	-	-	318
HS Beef Farm Project	1,000	6,275	6,885	-	390	6,792	5,590	-	1,592
Tobacco Use Prevention Grant	500	-	-	-	500	-	-	-	500
2013 Mac Grant Award	-	458	-	-	458	-	-	-	458
13-14 High Ability Grant	-	28,759	21,438	-	7,321	-	8,901	-	(1,580)
12-13 High Ability Grant	3,587	-	3,587	-	-	-	-	-	-
14-15 High Ability Grant	-	-	-	-	-	28,805	24,559	-	4,246
School Technology	24,577	17,370	20,592	-	21,355	11,363	21,331	-	11,387
Inaccess Sci/Eng Classroom Program	12,363	-	-	-	12,363	-	-	-	12,363
2015 Secured Safety Grant	-	-	-	-	-	-	25,000	-	(25,000)
ECIST School Wellness Program	-	-	-	-	-	2,961	710	-	2,251
12-13 Title I Grant	(23,013)	49,972	26,959	-	-	-	-	-	-
13-14 Title I Grant	-	108,391	191,241	-	(82,850)	137,115	44,991	(9,274)	-
14-15 Title I Grant	-	-	-	-	-	134,092	188,620	9,274	(45,254)
Improving Teaching Quality, No Child Left, Title II, Part A	-	-	-	-	-	15,812	15,721	-	91
11-12 Title II, Part A	(765)	1,757	992	-	-	-	-	-	-
12-13 Title II, Part A	(7,091)	28,108	25,398	-	(4,381)	12,471	8,090	-	-
13-14 Title II, Part A	-	28,572	27,980	(592)	-	10,000	10,000	-	-
Rural Schools and Low Income Program - Pass Through State	-	-	-	-	-	13,153	13,153	-	-
Payroll Withholdings	-	1,501,331	1,501,510	-	(179)	1,389,834	1,374,815	-	14,840
Totals	\$ 2,025,597	\$ 12,327,595	\$ 11,855,402	\$ 5,253	\$ 2,503,043	\$ 12,312,444	\$ 11,684,315	\$ -	\$ 3,131,172

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

NETTLE CREEK 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, the following: 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. Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

NETTLE CREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts. Amounts received from various sources, including, but not limited to, the following: 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. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges. Amounts disbursed 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. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

Transfers in. Amounts 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.

NETTLE CREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Transfers out. Amounts 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 amounts 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 amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

NETTLE CREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

NETTLE CREEK 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 a result of funds that were set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2014 or 2015.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with Nettle Creek 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 fiscal years 2014 and 2015 totaled \$70,000 and \$75,000, respectively.

OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. 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 School Corporation's Financial Reports 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.

NETTLE CREEK 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction
Cash and investments - beginning	\$ 164,197	\$ 595,050	\$ 843,518	\$ 23,936	\$ 98,721	\$ 85,773	\$ 12,546
Receipts:							
Local sources	33,252	1,362,508	759,336	618,518	95,512	-	-
Intermediate sources	835	-	-	-	-	-	-
State sources	7,026,970	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	4,615	-	35,281	4,861	-	-	-
Total receipts	<u>7,065,672</u>	<u>1,362,508</u>	<u>794,617</u>	<u>623,379</u>	<u>95,512</u>	<u>-</u>	<u>-</u>
Disbursements:							
Instruction	4,924,088	-	-	-	-	-	-
Support services	1,733,256	-	569,306	589,922	124,455	-	-
Noninstructional services	135,071	-	-	-	-	-	-
Facilities acquisition and construction	-	-	119,643	-	-	-	2,000
Debt service	-	1,279,477	-	-	-	-	-
Nonprogrammed charges	-	-	-	218	-	-	-
Total disbursements	<u>6,792,415</u>	<u>1,279,477</u>	<u>688,949</u>	<u>590,140</u>	<u>124,455</u>	<u>-</u>	<u>2,000</u>
Excess (deficiency) of receipts over disbursements	<u>273,257</u>	<u>83,031</u>	<u>105,668</u>	<u>33,239</u>	<u>(28,943)</u>	<u>-</u>	<u>(2,000)</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	5,253	-	-
Transfers in	592	-	-	-	-	-	-
Transfers out	-	(30,241)	-	-	-	-	-
Total other financing sources (uses)	<u>592</u>	<u>(30,241)</u>	<u>-</u>	<u>-</u>	<u>5,253</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>273,849</u>	<u>52,790</u>	<u>105,668</u>	<u>33,239</u>	<u>(23,690)</u>	<u>-</u>	<u>(2,000)</u>
Cash and investments - ending	<u>\$ 438,046</u>	<u>\$ 647,840</u>	<u>\$ 949,186</u>	<u>\$ 57,175</u>	<u>\$ 75,031</u>	<u>\$ 85,773</u>	<u>\$ 10,546</u>

NETTLE CREEK 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)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education	Bus Stop Arm Camera Fund	Indiana YRBS
Cash and investments - beginning	\$ 91,794	\$ 91,740	\$ -	\$ 6,496	\$ -	\$ -	\$ 350
Receipts:							
Local sources	206,139	88,065	-	-	-	-	-
Intermediate sources	-	-	-	169	-	-	-
State sources	4,915	38,363	-	-	2,047	-	-
Federal sources	274,815	-	-	-	-	-	-
Other receipts	200	201	-	-	-	-	-
Total receipts	<u>486,069</u>	<u>126,629</u>	<u>-</u>	<u>169</u>	<u>2,047</u>	<u>-</u>	<u>-</u>
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	350	126,583	-	-	2,047	-	350
Noninstructional services	422,054	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>422,404</u>	<u>126,583</u>	<u>-</u>	<u>-</u>	<u>2,047</u>	<u>-</u>	<u>350</u>
Excess (deficiency) of receipts over disbursements	<u>63,665</u>	<u>46</u>	<u>-</u>	<u>169</u>	<u>-</u>	<u>-</u>	<u>(350)</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	30,241	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>30,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>63,665</u>	<u>30,287</u>	<u>-</u>	<u>169</u>	<u>-</u>	<u>-</u>	<u>(350)</u>
Cash and investments - ending	<u>\$ 155,459</u>	<u>\$ 122,027</u>	<u>\$ -</u>	<u>\$ 6,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NETTLE CREEK 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)

	Reed House Memorial Fund	HS Beef Farm Project	Tobacco Use Prevention Grant	2013 Mac Grant Award	13-14 High Ability Grant	12-13 High Ability Grant	14-15 High Ability Grant
Cash and investments - beginning	\$ 318	\$ 1,000	\$ 500	\$ -	\$ -	\$ 3,587	\$ -
Receipts:							
Local sources	-	6,275	-	458	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	28,759	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>6,275</u>	<u>-</u>	<u>458</u>	<u>28,759</u>	<u>-</u>	<u>-</u>
Disbursements:							
Instruction	-	6,885	-	-	21,438	3,587	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>6,885</u>	<u>-</u>	<u>-</u>	<u>21,438</u>	<u>3,587</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(610)</u>	<u>-</u>	<u>458</u>	<u>7,321</u>	<u>(3,587)</u>	<u>-</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(610)</u>	<u>-</u>	<u>458</u>	<u>7,321</u>	<u>(3,587)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 318</u>	<u>\$ 390</u>	<u>\$ 500</u>	<u>\$ 458</u>	<u>\$ 7,321</u>	<u>\$ -</u>	<u>\$ -</u>

NETTLE CREEK 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)

	School Technology	Inaccess Sci/Eng Classroom Program	2015 Secured Safety Grant	ECIST School Wellness Program	12-13 Title I Grant	13-14 Title I Grant	14-15 Title I Grant
Cash and investments - beginning	\$ 24,577	\$ 12,363	\$ -	\$ -	\$ (23,013)	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	5,357	-	-	-	-	-	-
Federal sources	-	-	-	-	49,972	108,391	-
Other receipts	12,013	-	-	-	-	-	-
Total receipts	<u>17,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,972</u>	<u>108,391</u>	<u>-</u>
Disbursements:							
Instruction	18,801	-	-	-	22,957	186,841	-
Support services	1,791	-	-	-	4,002	2,400	-
Noninstructional services	-	-	-	-	-	2,000	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>20,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,959</u>	<u>191,241</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(3,222)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,013</u>	<u>(82,850)</u>	<u>-</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(3,222)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,013</u>	<u>(82,850)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 21,355</u>	<u>\$ 12,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (82,850)</u>	<u>\$ -</u>

NETTLE CREEK 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)

	Improving Teaching Quality, No Child Left, Title II, Part A	11-12 Title II, Part A	12-13 Title II, Part A	13-14 Title II, Part A	Rural Schools and Low Income Program - Pass Through State	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (765)	\$ (7,091)	\$ -	\$ -	\$ -	\$ 2,025,597
Receipts:							
Local sources	-	(1,852)	-	-	-	-	3,168,211
Intermediate sources	-	-	-	-	-	-	1,004
State sources	-	-	-	-	-	-	7,106,411
Federal sources	-	3,609	28,108	28,572	-	-	493,467
Other receipts	-	-	-	-	-	1,501,331	1,558,502
Total receipts	-	1,757	28,108	28,572	-	1,501,331	12,327,595
Disbursements:							
Instruction	-	-	-	-	-	-	5,184,597
Support services	-	992	25,398	27,980	-	-	3,208,832
Noninstructional services	-	-	-	-	-	-	559,125
Facilities acquisition and construction	-	-	-	-	-	-	121,643
Debt service	-	-	-	-	-	-	1,279,477
Nonprogrammed charges	-	-	-	-	-	1,501,510	1,501,728
Total disbursements	-	992	25,398	27,980	-	1,501,510	11,855,402
Excess (deficiency) of receipts over disbursements	-	765	2,710	592	-	(179)	472,193
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	5,253
Transfers in	-	-	-	-	-	-	30,833
Transfers out	-	-	-	(592)	-	-	(30,833)
Total other financing sources (uses)	-	-	-	(592)	-	-	5,253
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	765	2,710	-	-	(179)	477,446
Cash and investments - ending	\$ -	\$ -	\$ (4,381)	\$ -	\$ -	\$ (179)	\$ 2,503,043

NETTLE CREEK 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction
Cash and investments - beginning	\$ 438,046	\$ 647,840	\$ 949,186	\$ 57,175	\$ 75,031	\$ 85,773	\$ 10,546
Receipts:							
Local sources	95,130	1,338,256	743,592	623,937	95,398	-	-
Intermediate sources	62	-	-	-	-	-	-
State sources	7,009,531	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	14,065	-	51,791	2,288	-	-	-
Total receipts	<u>7,118,788</u>	<u>1,338,256</u>	<u>795,383</u>	<u>626,225</u>	<u>95,398</u>	<u>-</u>	<u>-</u>
Disbursements:							
Instruction	4,517,938	-	-	-	-	-	-
Support services	1,696,839	-	848,844	554,296	49,114	-	-
Noninstructional services	148,416	-	-	-	-	-	-
Facilities acquisition and construction	-	-	252,640	-	-	-	500
Debt service	-	1,296,159	53,245	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>6,363,193</u>	<u>1,296,159</u>	<u>1,154,729</u>	<u>554,296</u>	<u>49,114</u>	<u>-</u>	<u>500</u>
Excess (deficiency) of receipts over disbursements	<u>755,595</u>	<u>42,097</u>	<u>(359,346)</u>	<u>71,929</u>	<u>46,284</u>	<u>-</u>	<u>(500)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	23,013	-	-
Transfers out	-	-	(12,540)	(10,473)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(12,540)</u>	<u>(10,473)</u>	<u>23,013</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>755,595</u>	<u>42,097</u>	<u>(371,886)</u>	<u>61,456</u>	<u>69,297</u>	<u>-</u>	<u>(500)</u>
Cash and investments - ending	<u>\$ 1,193,641</u>	<u>\$ 689,937</u>	<u>\$ 577,300</u>	<u>\$ 118,631</u>	<u>\$ 144,328</u>	<u>\$ 85,773</u>	<u>\$ 10,046</u>

NETTLE CREEK 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)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education	Bus Stop Arm Camera Fund	Indiana YRBS
Cash and investments - beginning	\$ 155,459	\$ 122,027	\$ -	\$ 6,665	\$ -	\$ -	\$ -
Receipts:							
Local sources	191,711	84,883	650	-	-	1,636	-
Intermediate sources	-	-	-	113	-	-	-
State sources	7,688	41,872	-	-	5,025	-	-
Federal sources	241,411	-	-	-	-	-	-
Other receipts	453	300	-	-	-	-	254
Total receipts	<u>441,263</u>	<u>127,055</u>	<u>650</u>	<u>113</u>	<u>5,025</u>	<u>1,636</u>	<u>254</u>
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	300	69,524	-	-	5,025	1,636	-
Noninstructional services	448,358	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>448,658</u>	<u>69,524</u>	<u>-</u>	<u>-</u>	<u>5,025</u>	<u>1,636</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(7,395)</u>	<u>57,531</u>	<u>650</u>	<u>113</u>	<u>-</u>	<u>-</u>	<u>254</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(7,395)</u>	<u>57,531</u>	<u>650</u>	<u>113</u>	<u>-</u>	<u>-</u>	<u>254</u>
Cash and investments - ending	<u>\$ 148,064</u>	<u>\$ 179,558</u>	<u>\$ 650</u>	<u>\$ 6,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254</u>

NETTLE CREEK 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)

	Reed House Memorial Fund	HS Beef Farm Project	Tobacco Use Prevention Grant	2013 Mac Grant Award	13-14 High Ability Grant	12-13 High Ability Grant	14-15 High Ability Grant
Cash and investments - beginning	\$ 318	\$ 390	\$ 500	\$ 458	\$ 7,321	\$ -	\$ -
Receipts:							
Local sources	-	6,792	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	28,805
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	6,792	-	-	-	-	28,805
Disbursements:							
Instruction	-	5,590	-	-	8,901	-	24,559
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	5,590	-	-	8,901	-	24,559
Excess (deficiency) of receipts over disbursements	-	1,202	-	-	(8,901)	-	4,246
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,202	-	-	(8,901)	-	4,246
Cash and investments - ending	\$ 318	\$ 1,592	\$ 500	\$ 458	\$ (1,580)	\$ -	\$ 4,246

NETTLE CREEK 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)

	School Technology	Inaccess Sci/Eng Classroom Program	2015 Secured Safety Grant	ECIST School Wellness Program	12-13 Title I Grant	13-14 Title I Grant	14-15 Title I Grant
Cash and investments - beginning	\$ 21,355	\$ 12,363	\$ -	\$ -	\$ -	\$ (82,850)	\$ -
Receipts:							
Local sources	-	-	-	2,961	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	5,409	-	-	-	-	-	-
Federal sources	-	-	-	-	-	137,115	134,092
Other receipts	5,954	-	-	-	-	-	-
Total receipts	<u>11,363</u>	<u>-</u>	<u>-</u>	<u>2,961</u>	<u>-</u>	<u>137,115</u>	<u>134,092</u>
Disbursements:							
Instruction	19,971	-	-	-	-	44,392	183,172
Support services	1,360	-	25,000	710	-	599	-
Noninstructional services	-	-	-	-	-	-	5,448
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>21,331</u>	<u>-</u>	<u>25,000</u>	<u>710</u>	<u>-</u>	<u>44,991</u>	<u>188,620</u>
Excess (deficiency) of receipts over disbursements	<u>(9,968)</u>	<u>-</u>	<u>(25,000)</u>	<u>2,251</u>	<u>-</u>	<u>92,124</u>	<u>(54,528)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	9,274
Transfers out	-	-	-	-	-	(9,274)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,274)</u>	<u>9,274</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(9,968)</u>	<u>-</u>	<u>(25,000)</u>	<u>2,251</u>	<u>-</u>	<u>82,850</u>	<u>(45,254)</u>
Cash and investments - ending	<u>\$ 11,387</u>	<u>\$ 12,363</u>	<u>\$ (25,000)</u>	<u>\$ 2,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (45,254)</u>

NETTLE CREEK 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)

	Improving Teaching Quality, No Child Left, Title II, Part A	11-12 Title II, Part A	12-13 Title II, Part A	13-14 Title II, Part A	Rural Schools and Low Income Program - Pass Through State	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (4,381)	\$ -	\$ -	\$ (179)	\$ 2,503,043
Receipts:							
Local sources	-	-	-	-	-	-	3,184,946
Intermediate sources	-	-	-	-	-	-	175
State sources	-	-	-	-	-	-	7,098,330
Federal sources	15,662	-	12,301	10,000	13,153	-	563,734
Other receipts	150	-	170	-	-	1,389,834	1,465,259
Total receipts	15,812	-	12,471	10,000	13,153	1,389,834	12,312,444
Disbursements:							
Instruction	-	-	-	-	13,153	-	4,817,676
Support services	15,721	-	8,090	10,000	-	-	3,287,058
Noninstructional services	-	-	-	-	-	-	602,222
Facilities acquisition and construction	-	-	-	-	-	-	253,140
Debt service	-	-	-	-	-	-	1,349,404
Nonprogrammed charges	-	-	-	-	-	1,374,815	1,374,815
Total disbursements	15,721	-	8,090	10,000	13,153	1,374,815	11,684,315
Excess (deficiency) of receipts over disbursements	91	-	4,381	-	-	15,019	628,129
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	32,287
Transfers out	-	-	-	-	-	-	(32,287)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	91	-	4,381	-	-	15,019	628,129
Cash and investments - ending	\$ 91	\$ -	\$ -	\$ -	\$ -	\$ 14,840	\$ 3,131,172

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Nettle Creek School Building Corporation	2012 HS Construction	\$ 76,500	12/31/2012	6/30/2023
Nettle Creek School Building Corporation	2013 EI & HS Construction/Improvements	786,000	6/30/2015	12/31/2034
Dell Chromebook Lease Purchase Agreement	To Finance Technology	53,245	2/1/2015	2/1/2017
Dell Chromebook Lease Purchase Agreement	To Finance Technology	44,142	6/1/2015	8/1/2018
Ricoh USA Inc	Copier Rental	<u>33,649</u>	8/25/2011	8/24/2016
Total of annual lease payments		<u>\$ 993,536</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Elem Construction Project	\$ 455,000	\$ 45,538
Notes and loans payable	HS Construction Project	<u>2,930,730</u>	<u>369,527</u>
Totals		<u>\$ 3,385,730</u>	<u>\$ 415,065</u>

NETTLE CREEK 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	\$ 265,175
Buildings	10,975,349
Improvements other than buildings	734,869
Machinery, equipment, and vehicles	<u>2,607,443</u>
Total capital assets	<u>\$ 14,582,836</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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 NETTLE CREEK SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Nettle Creek 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. Except as discussed in the following paragraph, 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.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in items 2015-004 and 2015-005 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Special Tests and Provisions. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of the Child Nutrition Cluster regarding Special Tests and Provisions, described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2013 to June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2013 to June 30, 2015.

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 and 2015-006. 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

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

of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 2015-002, 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

July 26, 2017

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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NETTLE CREEK 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	FY 13-14	\$ 52,839	\$ -
			FY 14-15	-	38,330
				<u>52,839</u>	<u>38,330</u>
Total - School Breakfast Program				<u>52,839</u>	<u>38,330</u>
National School Lunch Program	Indiana Department of Education	10.555	FY 13-14	221,950	-
Commodities			FY 14-15	-	203,081
				<u>32,950</u>	<u>32,293</u>
Total - National School Lunch Program				<u>254,900</u>	<u>235,374</u>
Total - Child Nutrition Cluster				<u>307,739</u>	<u>273,704</u>
Total - Department of Agriculture				<u>307,739</u>	<u>273,704</u>
<u>Department of Education</u>					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	13-8305	49,972	-
			14-8305	108,391	127,841
			15-8305	-	143,366
				<u>158,363</u>	<u>271,207</u>
Total - Title I Grants to Local Educational Agencies				<u>158,363</u>	<u>271,207</u>
Special Education Cluster (IDEA)					
Special Education_Grants to States	Indiana Department of Education	84.027	14213-044-PN01	64,048	49
			14214-044-PN01	202,070	64,073
			14215-044-PN01	-	169,004
			99914-044-PN01	3,166	3,166
				<u>269,284</u>	<u>236,292</u>
Total - Special Education_Grants to States				<u>269,284</u>	<u>236,292</u>
Special Education_Preschool Grants	Indiana Department of Education	84.173	45713-044-PN01	6,006	-
			45714-044-PN01	9,251	4,091
			45715-044-PN01	-	8,642
				<u>15,257</u>	<u>12,733</u>
Total - Special Education_Preschool Grants				<u>15,257</u>	<u>12,733</u>
Total - Special Education Cluster (IDEA)				<u>284,541</u>	<u>249,025</u>
Rural Education	Indiana Department of Education	84.358	FY 12-13	-	13,153
Total - Rural Education				<u>-</u>	<u>13,153</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	12-8305	1,757	-
			13-8305	28,108	12,471
			14-8305	28,572	10,000
			15-8305	-	15,812
				<u>58,437</u>	<u>38,283</u>
Total - Improving Teacher Quality State Grants				<u>58,437</u>	<u>38,283</u>
Total - Department of Education				<u>501,341</u>	<u>571,668</u>
Total federal awards expended				<u>\$ 809,080</u>	<u>\$ 845,372</u>

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

NETTLE CREEK 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 under programs of the federal government for the years ended June 30, 2014 and 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

NETTLE CREEK 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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	
Child Nutrition Cluster	Qualified
Title I Grants to Local Educational Agencies	Unmodified
Special Education Cluster (IDEA)	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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies 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

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II - Financial Statement Findings

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

Condition

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 Treasurer prepared the SEFA without an oversight, review, or approval process or other control to ensure its accuracy.

During the audit of the SEFA, there were the following errors: for some federal grant awards, expenditures and information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were omitted or incorrect. Total federal expenditures for fiscal years 2013-2014 and 2014-2015 were incorrectly reported with total expenditures being understated by \$317,465 and \$272,044, respectively. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 § _____.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:

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management of the School Corporation had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-002 - 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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

For the fiscal years 2014 and 2015, the School Corporation Treasurer was the only employee involved in the preparation and submission of the Annual Financial Report. There was no control in place to ensure that the Annual Financial Reports were accurate before they were submitted to the Indiana Department of Education.

Context

The lack of controls applied to both Annual Financial Reports that were submitted during the audit period.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-003 - 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

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement. There were no procedures established to ensure that the School Lunch fund's cash balance (Net Cash Resources) was maintained in compliance with the Cash Management requirements.

The School Corporation Food Service Department maintained a cash balance (Net Cash Resources) in excess of federal guidelines. The School Corporation did not monitor the cash balance (Net Cash Resources) of the School Lunch fund to ensure that it was not in excess of three months average expenditures. In addition, no plan was in place to reduce the excess cash balance in the School Lunch fund.

P

Context

The School Corporation's School Lunch fund had a balance in excess of three months average expenditures at month end for 12 of the 24 months of the audit period. The lack of controls was a systemic problem throughout the audit period.

Criteria

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. . . ."

7 CFR 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) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . ."

- (iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency . . ."

Cause

Management of the School Corporation had not established an effective internal control system that would have ensured that the School Corporation complied with the Cash Management requirements.

Effect

The failure to establish internal controls resulted in the School Corporation's material noncompliance with the grant agreement and the compliance requirement.

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and ensure compliance related to the grant agreement and Cash Management compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-004 - SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

During fiscal year 2015, the School Corporation failed to verify the minimum number of free and reduced price applications that was required. Based on federal guidelines, a minimum of ten applications should have been verified; however, only seven of the applications were verified. For fiscal year 2014, the School Corporation was not able to provide verified free and reduced price applications to be audited.

Context

There were ineffective controls in place at the School Corporation to ensure that the proper number of free and reduced price applications were verified and that the School Corporation maintained all necessary documentation for audit.

Criteria

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. . . ."

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 245.6a(c)(3) states in part:

"*Standard sample size.* Unless eligible for an alternative sample size under paragraph (d) of this section, the sample size for each local educational agency shall equal the lesser of:

- (i) Three (3) percent of all applications approved by the local educational agency for the school year, as of October 1 of the school year, selected from error prone applications; or
- (ii) 3,000 error prone applications approved by the local educational agency for the school year, as of October 1 of the school year. . . ."

7 CFR 3016.20(b)(2) states:

"*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, outlays or expenditures, and income."

Cause

The School Corporation failed to retain records related to the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and Management had not developed an effective system of internal controls that would have ensured that the School Corporation complied with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) requirements.

Effect

The failure to establish effective internal controls resulted in the School Corporation's noncompliance with the grant agreement and the compliance requirement for fiscal year 2015. Additionally, the failure to maintain and make documentation available for audit prevented the ability to verify compliance with the compliance requirement for fiscal year 2014.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation maintain all necessary documentation for audit, and that the School Corporation's management establish controls related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2015-005 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 13-14, FY 14-15
Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

During the audit period, the paid lunch equity calculations for each school year were prepared by the Food Service Director; however, the documentation was not retained for audit.

Context

The lack of controls and missing documentation for the paid lunch equity calculations were issues for each year of the audit period.

Criteria

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. . . ."

7 CFR 3016.20(b)(2) states:

"*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, outlays or expenditures, and income."

Cause

The School Corporation failed to retain records related to the paid lunch equity calculations and Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Special Tests and Provisions - Paid Lunch Equity requirements.

Effect

The failure to maintain and make documentation available for audit prevented the ability to verify compliance with the compliance requirement.

Questioned Costs

There were no questioned costs identified.

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation maintain all necessary documentation for audit and that the School Corporation's management establish controls related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-006 - ALLOWABLE COSTS/COST PRINCIPLES

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): 13-8305, 14-8305, 15-8305

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to its grant agreements and the Allowable Costs/Cost Principles compliance requirement.

During fiscal year 2015, the School Corporation completed Semi-Annual Certifications for all of their employees who worked solely on the Title I program, but two of the four Semi-Annual Certifications were not signed by the employees or a supervisory official having first-hand knowledge of the work performed by the employees. The School Corporation was not able to provide any Personnel Activity Reports or Semi-Annual Certifications for fiscal year 2014.

Context

These were systemic issues that applied to all Title I Personnel Activity Reports during fiscal year 2014 and to two of the four Semi-Annual Certifications during fiscal year 2015.

Criteria

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. . . ."

OMB Circular A-87, Attachment B, section 8h states in part:

". . . (3) 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 semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Allowable Costs/Cost Principles requirements.

Effect

The failure to establish an effective internal control system allowed the School Corporation to be in noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2015-007 - ACTIVITIES ALLOWED OR UNALLOWED
AND ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 45713-044-PN01, 45714-044-PN01,
45715-044-PN01, 99914-044-PN01,
14213-044-PN01, 14214-044-PN01,
14215-044-PN01

Pass-Through Entity: Indiana Department of Education

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles. The School Corporation was a member of the New Castle Area Special Services Cooperative (Cooperative) and it provided oversight of the Cooperative through the School Corporation Superintendent of Schools, who served as a member of the Cooperative Board. However, the Cooperative had not established an effective internal control system in relation to Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

For both fiscal years 2014 and 2015, there was no control in place to ensure that only individual employees who worked on the Special Education program were paid with Special Education grant funds. In addition, there was no control in place to ensure that the Personal Activity Reports or Semi-Annual Certifications were completed and correct. The lack of controls could have allowed ineligible employees to be paid or Special Education employees to be paid an improper amount from Special Education grant funds.

Context

The lack of controls was a systemic problem throughout the audit period

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements.

Effect

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with the 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.

Questioned Costs

There were no questioned costs identified.

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENTS

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



Nettle Creek Family of Schools

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-002 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE CHILD NUTRITION CLUSTER)

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: WILLIAM DOERING, SUPERINTENDENT

Contact Phone Number: 765-489-4543

Status of Audit Finding: During the 2014 fiscal year the school corporation implemented a system of internal controls whereby the cafeteria manager determines the students' eligibility for free and reduced lunch. Another cafeteria employee then reviews the cafeteria manager's determinations. The cafeteria manager is responsible for determining the 3 percent of applications to select for verification and the superintendent then checks the verification.

One high school cafeteria employee and one elementary cafeteria employee prepares the monthly reimbursement requests. The cafeteria manager then checks these figures.

FINDING 2013-003 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO EDUCATION JOBS FUND

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity. If pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: WILLIAM DOERING, SUPERINTENDENT

Contact Phone Number: 765-489-4543

Status of Audit Finding: For the 2014 fiscal year this grant was no longer available. No corrective action was taken.

Judy Cole
(Signature)

Treasurer
(Title)

7/18/17
(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Judy Cole, Treasurer
Contact Phone Number: 765.489.4543

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:
We are a small school corporation and must use existing employees to ensure compliance requirements are followed in regards to establishing controls, including separation of duties related to the preparation of SEFA, the treasurer will prepare the annual report and the superintendent will review its contents for accuracy and initial before submission.

FINDING 2015-002

Contact Person Responsible for Corrective Action: Judy Cole, Treasurer
Contact Phone Number: 765.489.4543

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:
We are a small school corporation and must use existing employees to ensure compliance requirements are followed in regards to establishing controls, including segregation of duties related to the grant agreement and compliance requirements.

As a means to provide an internal control system, the treasurer will prepare the Annual Report. The superintendent will review this work and initial the final draft before it is uploaded to Gateway.

FINDING 2015-003

Contact Person Responsible for Corrective Action: William Doering, Superintendent
Contact Phone Number: 765.489.4543

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

As a means to provide an internal control to monitor the cash balance to the School Lunch fund to ensure that it does not exceed the average 3-month expenditure, the Food Service Director and the Superintendent will meet monthly to review cash management.

FINDING 2015-004

Contact Person Responsible for Corrective Action: William Doering, Superintendent
Contact Phone Number: 765.489.4543

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

As a means to establish a system to facilitate audits and provide controls, documents used in audits will be copied and maintained by the Food Service Director.

FINDING 2015-005

Contact Person Responsible for Corrective Action: William Doering, Superintendent
Contact Phone Number: 765.489.4543

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

As a means to establish a system to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions Verification of Free and Reduced Price Applications compliance requirements, the Food Service Director will process free and reduced lunch applications assuring that the proper number are verified and the Superintendent will review and initial the work for accuracy.

FINDING 2015-006

Contact Person Responsible for Corrective Action: Laura Swain, Title 1 Administrator
Contact Phone Number: 765.489.4543

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

As a means to provide an internal control to assure compliance with Allowable Costs/Cost Principals according to the requirements related to the Title 1 Grant, The Title 1 administrator will review, initial and maintain Time & Effort Logs and Semi-Annual Certifications to assure completion including the signatures by employees and supervisors.

FINDING 2015-007

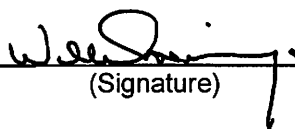
Contact Person Responsible for Corrective Action: Amy Blake, Special Education Director
Contact Phone Number: 765.489.4543

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

The Special Education director will monitor the list of employees who work on the Special Education program and who are paid with Special Education grant funds. Personnel from the central office will double-check the list for accuracy and initial the list. The Special Education director will monitor to assure the Time and Effort logs and Semi-Annual Certifications are completed and accurate. A central office employee will recheck these documents and initial to assure accuracy.

Anticipated Completion Date: August, 2017



(Signature)

Superintendent
(Title)

July 26, 2017
(Date)

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/>.