

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NORTHERN WELLS COMMUNITY SCHOOLS
WELLS COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
12/01/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Deborah L. Adams	07-01-14 to 06-30-18
Superintendent of Schools	Dr. Scott A. Mills	07-01-14 to 06-30-18
President of the School Board	R. Scott Elzey	01-01-14 to 12-31-17



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Northern Wells Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, 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, 2014 to June 30, 2016.

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, 2014 to June 30, 2016, 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 Payables and Receivables, 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 October 17, 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

October 17, 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 NORTHERN WELLS COMMUNITY
SCHOOLS, WELLS COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Northern Wells Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated October 17, 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 a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

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 2016-001.

Northern Wells Community Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

October 17, 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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NORTHERN WELLS COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-14	Receipts	Disbursements		06-30-15	Receipts	Disbursements		
General	\$ 3,511,889	\$ 14,228,444	\$ 14,546,352	\$ 31,606	\$ 3,225,587	\$ 14,632,555	\$ 14,559,415	\$ 55,660	\$ 3,354,387
Debt Service	1,097,873	1,929,754	2,044,118	117,071	1,100,580	2,063,462	1,945,492	116,659	1,335,209
Retirement/Severance Bond Debt Service	106,476	419,340	364,076	(2,654)	159,086	428,415	358,642	-	228,859
Referendum Debt Exempt Capital	411,435	1,131,947	989,500	(6,637)	547,245	1,068,899	987,000	-	629,144
Capital Projects	1,009,788	2,087,232	2,132,483	131,126	1,095,663	2,278,132	2,287,074	126,977	1,213,698
School Transportation	709,184	1,306,957	1,267,339	123,092	871,894	1,337,596	1,270,315	80,096	1,019,271
School Bus Replacement	729,412	10,548	345,822	(1,014)	393,124	-	-	781	393,905
Rainy Day	196,053	-	-	-	196,053	77,576	-	-	273,629
Construction	50,813	880	50,622	-	1,071	-	1,071	-	-
School Lunch	108,544	890,131	987,440	-	11,235	882,362	963,876	-	(70,279)
Textbook Rental	354,525	319,549	228,248	-	445,826	317,318	242,223	-	520,921
Repair and Replacement	-	-	-	-	-	100,000	-	-	100,000
Levy Excess	-	-	-	-	-	-	-	-	-
Joint Services and Supply - Area Vocational School	-	17,624	17,624	-	-	19,410	19,410	-	-
Child Care Program	(5,093)	84,116	84,580	-	(5,557)	92,834	100,919	-	(13,642)
Educational License Plates	207	169	-	-	376	150	-	-	526
Alternative Education	-	13,400	13,400	-	-	11,233	11,233	-	-
IAC Grant for 2013-14 School Year	(698)	750	52	-	-	-	-	-	-
Wells County Foundation Grant	995	-	995	-	-	-	-	-	-
OES Teacher Creativity Grant	-	1,300	-	-	1,300	-	1,300	-	-
Teacher Creativity Grant LEGOS	-	-	-	-	-	1,465	1,386	-	79
FFA Curr - Donations for PRF DVL	-	250	-	-	250	200	450	-	-
Bluffton Lodge Donation	-	1,500	18	-	1,482	-	1,482	-	-
School Lunch Donation	-	-	-	-	-	1,200	800	-	400
Contribution In Memory of Ron Yoss	-	-	-	-	-	175	175	-	-
Wells County Soil & Water	-	800	800	-	-	800	575	-	225
CADA Grant - Drug Screening	-	1,753	-	-	1,753	1,378	1,732	-	1,399
Teacher of the Year 2014	500	-	500	-	-	-	-	-	-
Teacher of the Year 2015	-	500	-	-	500	-	500	-	-
Teacher of the Year - ALIG	-	-	-	-	-	500	-	-	500
Extra-Curricular Activities	(403)	13,697	13,753	-	(459)	12,863	12,859	-	(455)
Transportation Extra-Curricular Salaries	(20,187)	18,001	27,935	-	(30,121)	37,307	28,799	-	(21,613)
Recreational Activities	3,784	4,368	5,339	-	2,813	5,430	5,677	-	2,566
CPR/AED and Lifeguard Training	2,634	2,000	679	-	3,955	340	327	-	3,968
Alternative School Technology Grant	891	-	116	-	775	-	410	-	365
Formative Assessment	-	-	-	-	-	17,967	13,531	-	4,436
High Ability Grant	1,035	33,090	34,125	-	-	34,229	34,043	-	186
Medicaid Reimbursement	11,980	36,653	-	(31,606)	17,027	51,911	-	(55,660)	13,278
Secured Schools Safety Grant	-	50,000	50,000	-	-	-	50,000	-	(50,000)
Non-English Speaking Programs	508	2,382	2,152	-	738	5,862	1,535	-	5,065
School Technology	2,138	8,541	8,402	-	2,277	8,724	8,757	-	2,244
Miscellaneous Programs	5,691	34,554	29,800	-	10,445	35,649	42,334	-	3,760
Reimbursement Fund for Flu Shots	2,115	735	826	-	2,024	580	608	-	1,996
Excess PTRC Distributions	29,670	331,314	-	(360,984)	-	324,513	-	(324,513)	-
Title I 2013-14	(21,614)	62,420	40,806	-	-	-	-	-	-
Title I 2014-15	-	182,444	231,029	-	(48,585)	71,603	23,018	-	-
Title I 2015-16	-	-	-	-	-	243,522	302,900	-	(59,378)
Improving Teacher Quality, No Child Left, Title II, Part A	(8,213)	45,850	43,104	-	(5,467)	47,357	44,867	-	(2,977)
Title III	(2,130)	7,165	8,939	-	(3,904)	4,103	1,800	-	(1,601)
Clearing	5,113	3,843,336	3,845,434	-	3,015	3,801,081	3,808,700	-	(4,604)
Totals	\$ 8,294,915	\$ 27,123,494	\$ 27,416,408	\$ -	\$ 8,002,001	\$ 28,018,701	\$ 27,135,235	\$ -	\$ 8,885,467

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

NORTHERN WELLS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, 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.

NORTHERN WELLS COMMUNITY SCHOOLS
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:

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.

NORTHERN WELLS COMMUNITY SCHOOLS
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.

NORTHERN WELLS COMMUNITY SCHOOLS
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.

NORTHERN WELLS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of grant fund expenditures and payroll expenditures that have not been reimbursed by June 30, 2015, or June 30, 2016.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with Northern Wells Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2015 and 2016, for the

NORTHERN WELLS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Lancaster Elementary School Building, totaled \$1,846,000 and \$1,854,000, respectively. Lease payments during the years ended June 30, 2015 and 2016, for the Norwell High School Renovation, totaled \$989,500 and \$987,000, respectively. Lease payments during the years ended June 30, 2015 and 2016, for the Norwell Middle School, Norwell High School, and Ossian Elementary Building Improvements, totaled \$197,494 and \$89,992, respectively.

Note 9. Subsequent Events

On August 16, 2017, the School Corporation refinanced the Northern Wells Community School Building Corporation's First Mortgage Refunding Bonds Series 2007 for \$8,670,000 in order to save \$603,717 over the life of the bond.

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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.

NORTHERN WELLS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Referendum Debt Exempt Capital	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 3,511,889	\$ 1,097,873	\$ 106,476	\$ 411,435	\$ 1,009,788	\$ 709,184	\$ 729,412	\$ 196,053	\$ 50,813	\$ 108,544	\$ 354,525
Receipts:											
Local sources	306,909	1,929,754	419,340	1,131,947	2,087,232	1,306,957	10,548	-	880	518,446	261,917
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	13,920,324	-	-	-	-	-	-	-	-	13,288	57,632
Federal sources	-	-	-	-	-	-	-	-	-	358,380	-
Other receipts	1,211	-	-	-	-	-	-	-	-	17	-
Total receipts	14,228,444	1,929,754	419,340	1,131,947	2,087,232	1,306,957	10,548	-	880	890,131	319,549
Disbursements:											
Instruction	9,919,868	-	-	-	-	-	-	-	-	-	-
Support services	4,290,731	-	-	-	1,428,822	1,267,339	345,822	-	-	1,280	228,248
Noninstructional services	335,753	-	-	-	-	-	-	-	-	986,160	-
Facilities acquisition and construction	-	-	-	-	703,661	-	-	-	50,622	-	-
Debt service	-	2,044,118	364,076	989,500	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	14,546,352	2,044,118	364,076	989,500	2,132,483	1,267,339	345,822	-	50,622	987,440	228,248
Excess (deficiency) of receipts over disbursements	(317,908)	(114,364)	55,264	142,447	(45,251)	39,618	(335,274)	-	(49,742)	(97,309)	91,301
Other financing sources (uses):											
Transfers in	31,856	129,312	-	-	141,110	131,106	947	-	-	-	-
Transfers out	(250)	(12,241)	(2,654)	(6,637)	(9,984)	(8,014)	(1,961)	-	-	-	-
Total other financing sources (uses)	31,606	117,071	(2,654)	(6,637)	131,126	123,092	(1,014)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(286,302)	2,707	52,610	135,810	85,875	162,710	(336,288)	-	(49,742)	(97,309)	91,301
Cash and investments - ending	\$ 3,225,587	\$ 1,100,580	\$ 159,086	\$ 547,245	\$ 1,095,663	\$ 871,894	\$ 393,124	\$ 196,053	\$ 1,071	\$ 11,235	\$ 445,826

NORTHERN WELLS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Repair and Replacement	Levy Excess	Joint Services and Supply - Area Vocational School	Child Care Program	Educational License Plates	Alternative Education	IAC Grant for 2013-14 School Year	Wells County Foundation Grant	OES Teacher Creativity Grant	Teacher Creativity Grant LEGOS
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (5,093)	\$ 207	\$ -	\$ (698)	\$ 995	\$ -	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	1,300	-
Intermediate sources	-	-	-	-	169	-	-	-	-	-
State sources	-	-	-	84,116	-	13,400	750	-	-	-
Federal sources	-	-	17,624	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	17,624	84,116	169	13,400	750	-	1,300	-
Disbursements:										
Instruction	-	-	17,624	-	-	13,400	-	-	-	-
Support services	-	-	-	-	-	-	-	995	-	-
Noninstructional services	-	-	-	84,580	-	-	52	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	17,624	84,580	-	13,400	52	995	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	(464)	169	-	698	(995)	1,300	-
Other financing sources (uses):										
Transfers in	-	41,491	-	-	-	-	-	-	-	-
Transfers out	-	(41,491)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(464)	169	-	698	(995)	1,300	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (5,557)	\$ 376	\$ -	\$ -	\$ -	\$ 1,300	\$ -

NORTHERN WELLS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	FFA Curr - Donation for PRF DVL	Bluffton Lodge Donation	School Lunch Donation	Contribution In Memory Of Ron Yoss	Wells County Soil & Water	CADA Grant - Drug Screening	Teacher of the Year 2014	Teacher of the Year 2015	Teacher of the Year - ALIG	Extra- Curricular Activities
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ (403)
Receipts:										
Local sources	250	1,500	-	-	800	1,753	-	500	-	13,697
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>250</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>800</u>	<u>1,753</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>13,697</u>
Disbursements:										
Instruction	-	-	-	-	-	-	-	-	-	-
Support services	-	18	-	-	800	-	500	-	-	13,753
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>800</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>13,753</u>
Excess (deficiency) of receipts over disbursements	<u>250</u>	<u>1,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,753</u>	<u>(500)</u>	<u>500</u>	<u>-</u>	<u>(56)</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>250</u>	<u>1,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,753</u>	<u>(500)</u>	<u>500</u>	<u>-</u>	<u>(56)</u>
Cash and investments - ending	<u>\$ 250</u>	<u>\$ 1,482</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,753</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ (459)</u>

NORTHERN WELLS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Transportation Extra-Curricular Salaries	Recreational Activities	CPR/AED and Lifeguard Training	Alternative School Technology Grant	Formative Assessment	High Ability Grant	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology
Cash and investments - beginning	\$ (20,187)	\$ 3,784	\$ 2,634	\$ 891	\$ -	\$ 1,035	\$ 11,980	\$ -	\$ 508	\$ 2,138
Receipts:										
Local sources	18,001	4,368	2,000	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	33,090	36,653	50,000	2,382	8,541
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>18,001</u>	<u>4,368</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>33,090</u>	<u>36,653</u>	<u>50,000</u>	<u>2,382</u>	<u>8,541</u>
Disbursements:										
Instruction	-	-	-	-	-	34,118	-	-	-	-
Support services	27,935	5,339	679	116	-	7	-	50,000	2,152	8,402
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>27,935</u>	<u>5,339</u>	<u>679</u>	<u>116</u>	<u>-</u>	<u>34,125</u>	<u>-</u>	<u>50,000</u>	<u>2,152</u>	<u>8,402</u>
Excess (deficiency) of receipts over disbursements	<u>(9,934)</u>	<u>(971)</u>	<u>1,321</u>	<u>(116)</u>	<u>-</u>	<u>(1,035)</u>	<u>36,653</u>	<u>-</u>	<u>230</u>	<u>139</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(31,606)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,606)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(9,934)</u>	<u>(971)</u>	<u>1,321</u>	<u>(116)</u>	<u>-</u>	<u>(1,035)</u>	<u>5,047</u>	<u>-</u>	<u>230</u>	<u>139</u>
Cash and investments - ending	<u>\$ (30,121)</u>	<u>\$ 2,813</u>	<u>\$ 3,955</u>	<u>\$ 775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,027</u>	<u>\$ -</u>	<u>\$ 738</u>	<u>\$ 2,277</u>

NORTHERN WELLS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Miscellaneous Programs	Reimbursement Fund for Flu Shots	Excess PTRC Distributions	Title I 2013-14	Title I 2014-15	Title I 2015-16	Improving Teacher Quality, No Child Left, Title II, Part A	Title III	Clearing	Totals
Cash and investments - beginning	\$ 5,691	\$ 2,115	\$ 29,670	\$ (21,614)	\$ -	\$ -	\$ (8,213)	\$ (2,130)	\$ 5,113	\$ 8,294,915
Receipts:										
Local sources	34,554	-	-	4,805	395	-	-	-	-	8,057,853
Intermediate sources	-	-	-	-	-	-	-	-	-	169
State sources	-	-	331,314	-	-	-	-	7,165	-	14,558,655
Federal sources	-	-	-	57,615	182,049	-	45,850	-	-	661,518
Other receipts	-	735	-	-	-	-	-	-	3,843,336	3,845,299
Total receipts	<u>34,554</u>	<u>735</u>	<u>331,314</u>	<u>62,420</u>	<u>182,444</u>	<u>-</u>	<u>45,850</u>	<u>7,165</u>	<u>3,843,336</u>	<u>27,123,494</u>
Disbursements:										
Instruction	9,662	-	-	23,856	156,635	-	-	2,705	-	10,177,868
Support services	-	826	-	16,950	71,001	-	43,104	6,234	-	7,811,053
Noninstructional services	20,138	-	-	-	3,393	-	-	-	-	1,430,076
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	754,283
Debt service	-	-	-	-	-	-	-	-	-	3,397,694
Nonprogrammed charges	-	-	-	-	-	-	-	-	3,845,434	3,845,434
Total disbursements	<u>29,800</u>	<u>826</u>	<u>-</u>	<u>40,806</u>	<u>231,029</u>	<u>-</u>	<u>43,104</u>	<u>8,939</u>	<u>3,845,434</u>	<u>27,416,408</u>
Excess (deficiency) of receipts over disbursements	<u>4,754</u>	<u>(91)</u>	<u>331,314</u>	<u>21,614</u>	<u>(48,585)</u>	<u>-</u>	<u>2,746</u>	<u>(1,774)</u>	<u>(2,098)</u>	<u>(292,914)</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	475,822
Transfers out	-	-	(360,984)	-	-	-	-	-	-	(475,822)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(360,984)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>4,754</u>	<u>(91)</u>	<u>(29,670)</u>	<u>21,614</u>	<u>(48,585)</u>	<u>-</u>	<u>2,746</u>	<u>(1,774)</u>	<u>(2,098)</u>	<u>(292,914)</u>
Cash and investments - ending	<u>\$ 10,445</u>	<u>\$ 2,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48,585)</u>	<u>\$ -</u>	<u>\$ (5,467)</u>	<u>\$ (3,904)</u>	<u>\$ 3,015</u>	<u>\$ 8,002,001</u>

NORTHERN WELLS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Referendum Debt Exempt Capital	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 3,225,587	\$ 1,100,580	\$ 159,086	\$ 547,245	\$ 1,095,663	\$ 871,894	\$ 393,124	\$ 196,053	\$ 1,071	\$ 11,235	\$ 445,826
Receipts:											
Local sources	156,864	2,063,462	428,415	1,068,899	2,208,321	1,330,704	-	77,576	-	503,697	255,653
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	14,475,498	-	-	-	-	-	-	-	-	13,283	59,359
Federal sources	-	-	-	-	-	-	-	-	-	365,338	-
Other receipts	193	-	-	-	69,811	6,892	-	-	-	44	2,306
Total receipts	14,632,555	2,063,462	428,415	1,068,899	2,278,132	1,337,596	-	77,576	-	882,362	317,318
Disbursements:											
Instruction	10,013,275	-	-	-	-	-	-	-	-	-	-
Support services	4,241,264	-	-	-	1,626,766	1,270,315	-	-	-	2,273	242,223
Noninstructional services	304,876	-	-	-	-	-	-	-	-	961,603	-
Facilities acquisition and construction	-	-	-	-	660,308	-	-	-	1,071	-	-
Debt service	-	1,945,492	358,642	987,000	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	14,559,415	1,945,492	358,642	987,000	2,287,074	1,270,315	-	-	1,071	963,876	242,223
Excess (deficiency) of receipts over disbursements	73,140	117,970	69,773	81,899	(8,942)	67,281	-	77,576	(1,071)	(81,514)	75,095
Other financing sources (uses):											
Transfers in	55,660	116,659	-	-	126,977	80,096	781	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	55,660	116,659	-	-	126,977	80,096	781	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	128,800	234,629	69,773	81,899	118,035	147,377	781	77,576	(1,071)	(81,514)	75,095
Cash and investments - ending	\$ 3,354,387	\$ 1,335,209	\$ 228,859	\$ 629,144	\$ 1,213,698	\$ 1,019,271	\$ 393,905	\$ 273,629	\$ -	\$ (70,279)	\$ 520,921

NORTHERN WELLS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2016
 (Continued)

	Repair and Replacement	Levy Excess	Joint Services and Supply - Area Vocational School	Child Care Program	Educational License Plates	Alternative Education	IAC Grant for 2013-14 School Year	Wells County Foundation Grant	OES Teacher Creativity Grant	Teacher Creativity Grant LEGOS
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (5,557)	\$ 376	\$ -	\$ -	\$ -	\$ 1,300	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	1,465
Intermediate sources	-	-	-	-	150	-	-	-	-	-
State sources	-	-	-	92,834	-	11,233	-	-	-	-
Federal sources	-	-	19,410	-	-	-	-	-	-	-
Other receipts	100,000	-	-	-	-	-	-	-	-	-
Total receipts	100,000	-	19,410	92,834	150	11,233	-	-	-	1,465
Disbursements:										
Instruction	-	-	19,410	-	-	11,233	-	-	-	-
Support services	-	-	-	-	-	-	-	-	1,300	1,386
Noninstructional services	-	-	-	100,919	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	19,410	100,919	-	11,233	-	-	1,300	1,386
Excess (deficiency) of receipts over disbursements	100,000	-	-	(8,085)	150	-	-	-	(1,300)	79
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	100,000	-	-	(8,085)	150	-	-	-	(1,300)	79
Cash and investments - ending	\$ 100,000	\$ -	\$ -	\$ (13,642)	\$ 526	\$ -	\$ -	\$ -	\$ -	\$ 79

NORTHERN WELLS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2016
 (Continued)

	FFA Curr - Donation for PRF DVL	Bluffton Lodge Donation	School Lunch Donation	Contribution In Memory Of Ron Yoss	Wells County Soil & Water	CADA Grant - Drug Screening	Teacher of the Year 2014	Teacher of the Year 2015	Teacher of the Year - ALIG	Extra- Curricular Activities
Cash and investments - beginning	\$ 250	\$ 1,482	\$ -	\$ -	\$ -	\$ 1,753	\$ -	\$ 500	\$ -	\$ (459)
Receipts:										
Local sources	200	-	1,200	175	800	1,378	-	-	500	12,863
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>200</u>	<u>-</u>	<u>1,200</u>	<u>175</u>	<u>800</u>	<u>1,378</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>12,863</u>
Disbursements:										
Instruction	-	-	-	-	-	-	-	-	-	-
Support services	450	1,482	800	175	575	1,732	-	500	-	12,859
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>450</u>	<u>1,482</u>	<u>800</u>	<u>175</u>	<u>575</u>	<u>1,732</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>12,859</u>
Excess (deficiency) of receipts over disbursements	<u>(250)</u>	<u>(1,482)</u>	<u>400</u>	<u>-</u>	<u>225</u>	<u>(354)</u>	<u>-</u>	<u>(500)</u>	<u>500</u>	<u>4</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(250)</u>	<u>(1,482)</u>	<u>400</u>	<u>-</u>	<u>225</u>	<u>(354)</u>	<u>-</u>	<u>(500)</u>	<u>500</u>	<u>4</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ -</u>	<u>\$ 225</u>	<u>\$ 1,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ (455)</u>

NORTHERN WELLS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2016
 (Continued)

	Transportation Extra-Curricular Salaries	Recreational Activities	CPR/AED and Lifeguard Training	Alternative School Technology Grant	Formative Assessment	High Ability Grant	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology
Cash and investments - beginning	\$ (30,121)	\$ 2,813	\$ 3,955	\$ 775	\$ -	\$ -	\$ 17,027	\$ -	\$ 738	\$ 2,277
Receipts:										
Local sources	37,307	5,430	340	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	17,967	34,229	51,911	-	5,862	8,724
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>37,307</u>	<u>5,430</u>	<u>340</u>	<u>-</u>	<u>17,967</u>	<u>34,229</u>	<u>51,911</u>	<u>-</u>	<u>5,862</u>	<u>8,724</u>
Disbursements:										
Instruction	-	-	-	-	-	34,043	-	-	-	-
Support services	28,799	5,677	232	410	13,531	-	50,000	1,535	8,757	
Noninstructional services	-	-	95	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>28,799</u>	<u>5,677</u>	<u>327</u>	<u>410</u>	<u>13,531</u>	<u>34,043</u>	<u>-</u>	<u>50,000</u>	<u>1,535</u>	<u>8,757</u>
Excess (deficiency) of receipts over disbursements	<u>8,508</u>	<u>(247)</u>	<u>13</u>	<u>(410)</u>	<u>4,436</u>	<u>186</u>	<u>51,911</u>	<u>(50,000)</u>	<u>4,327</u>	<u>(33)</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	13,279	-	-	-
Transfers out	-	-	-	-	-	-	(68,939)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,660)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>8,508</u>	<u>(247)</u>	<u>13</u>	<u>(410)</u>	<u>4,436</u>	<u>186</u>	<u>(3,749)</u>	<u>(50,000)</u>	<u>4,327</u>	<u>(33)</u>
Cash and investments - ending	<u>\$ (21,613)</u>	<u>\$ 2,566</u>	<u>\$ 3,968</u>	<u>\$ 365</u>	<u>\$ 4,436</u>	<u>\$ 186</u>	<u>\$ 13,278</u>	<u>\$ (50,000)</u>	<u>\$ 5,065</u>	<u>\$ 2,244</u>

NORTHERN WELLS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2016
 (Continued)

	Miscellaneous Programs	Reimbursement Fund for Flu Shots	Excess PTRC Distributions	Title I 2013-14	Title I 2014-15	Title I 2015-16	Improving Teacher Quality, No Child Left, Title II, Part A	Title III	Clearing	Totals
Cash and investments - beginning	\$ 10,445	\$ 2,024	\$ -	\$ -	\$ (48,585)	\$ -	\$ (5,467)	\$ (3,904)	\$ 3,015	\$ 8,002,001
Receipts:										
Local sources	35,649	-	-	-	-	-	-	-	-	8,190,898
Intermediate sources	-	-	-	-	-	-	-	-	-	150
State sources	-	-	324,513	-	-	-	-	4,103	-	15,099,516
Federal sources	-	-	-	-	71,603	243,522	47,357	-	-	747,230
Other receipts	-	580	-	-	-	-	-	-	3,801,081	3,980,907
Total receipts	<u>35,649</u>	<u>580</u>	<u>324,513</u>	<u>-</u>	<u>71,603</u>	<u>243,522</u>	<u>47,357</u>	<u>4,103</u>	<u>3,801,081</u>	<u>28,018,701</u>
Disbursements:										
Instruction	12,311	-	-	-	9,842	213,939	-	-	-	10,314,053
Support services	283	608	-	-	13,176	84,616	44,867	1,800	-	7,658,391
Noninstructional services	29,740	-	-	-	-	4,345	-	-	-	1,401,578
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	661,379
Debt service	-	-	-	-	-	-	-	-	-	3,291,134
Nonprogrammed charges	-	-	-	-	-	-	-	-	3,808,700	3,808,700
Total disbursements	<u>42,334</u>	<u>608</u>	<u>-</u>	<u>-</u>	<u>23,018</u>	<u>302,900</u>	<u>44,867</u>	<u>1,800</u>	<u>3,808,700</u>	<u>27,135,235</u>
Excess (deficiency) of receipts over disbursements	<u>(6,685)</u>	<u>(28)</u>	<u>324,513</u>	<u>-</u>	<u>48,585</u>	<u>(59,378)</u>	<u>2,490</u>	<u>2,303</u>	<u>(7,619)</u>	<u>883,466</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	393,452
Transfers out	-	-	(324,513)	-	-	-	-	-	-	(393,452)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(324,513)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(6,685)</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>48,585</u>	<u>(59,378)</u>	<u>2,490</u>	<u>2,303</u>	<u>(7,619)</u>	<u>883,466</u>
Cash and investments - ending	<u>\$ 3,760</u>	<u>\$ 1,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (59,378)</u>	<u>\$ (2,977)</u>	<u>\$ (1,601)</u>	<u>\$ (4,604)</u>	<u>\$ 8,885,467</u>

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NORTHERN WELLS COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2016

<u>Government</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 1,075,636</u>	<u>\$ 185,688</u>

NORTHERN WELLS COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Apple, Inc.	iPads	\$ 314,892	07/02/2014	01/07/2018
De Lage Landen Public Financing	Copy Machines - 2013 Lease	14,026	07/17/2013	06/30/2018
De Lage Landen Public Financing	Copy Machines - 2011 Lease	10,716	07/29/2011	07/29/2016
Northern Wells Community School Building Corporation	First Mortgage Refunding Bonds - Series 2007	1,857,000	04/03/2007	06/30/2023
Northern Wells Community School Building Corporation	Unlimited Ad Valorem Property Tax First Mortgage Bonds - Series 2012	989,000	01/09/2013	12/31/2032
Northern Wells Community School Building Corporation	Qualified School Construction Bonds (QSCB)	<u>144,150</u>	12/09/2010	01/01/2026
Total of annual lease payments		<u>\$ 3,329,784</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Bond - School Severance 2013 Refunding Bonds Series 4-Series 7	<u>\$ 1,225,000</u>	<u>\$ 180,726</u>

NORTHERN WELLS COMMUNITY SCHOOLS
SCHEDULE OF CAPITAL ASSETS
June 30, 2016

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	\$ 183,444
Buildings	49,126,827
Improvements other than buildings	5,647,842
Machinery, equipment, and vehicles	<u>7,446,168</u>
Total capital assets	<u><u>\$ 62,404,281</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

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

Report on Compliance for Each Major Federal Program

We have audited the Northern Wells Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016.

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

Report on Internal Control over Compliance


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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002 to be a material weakness.

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

October 17, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

NORTHERN WELLS COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2015 and 2016

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	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 2014/2015	\$ -	\$ 24,642	\$ -	\$ -
			FY 2015/2016	-	-	-	27,601
Total - School Breakfast Program				-	24,642	-	27,601
National School Lunch Program	Indiana Department of Education	10.555	FY 2014/2015	-	333,545	-	-
			FY 2015/2016	-	-	-	337,057
Commodities			FY 2014/2015	-	67,534	-	-
			FY 2015/2016	-	-	-	62,761
Total - National School Lunch Program				-	401,079	-	399,818
Total - Child Nutrition Cluster				-	425,721	-	427,419
Total - Department of Agriculture				-	425,721	-	427,419
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027	14213-001-PN01	-	110	-	-
Part B			14214-001-PN01	-	147,295	-	223
			14215-001-PN01	-	308,431	-	193,433
			14216-001-PN01	-	-	-	281,667
			99914-001-TA01	-	3,728	-	97
Total - Special Education_Grants to States				-	459,564	-	475,420
Special Education_Preschool Grants	Indiana Department of Education	84.173	45714-001-PN01	-	1,922	-	-
Preschool			45715-001-PN01	-	9,095	-	3,831
			45716-001-PN01	-	-	-	11,341
Total - Special Education_Preschool Grants				-	11,017	-	15,172
Total - Special Education Cluster (IDEA)				-	470,581	-	490,592

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

NORTHERN WELLS COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2015 and 2016
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Education (continued)</u>							
Title I Grants to Local Educational Agencies Title I	Indiana Department of Education	84.010	14-8435 15-8435 16-8435	- - -	57,615 182,049 -	- - -	- 71,603 243,522
Total - Title I Grants to Local Educational Agencies				-	239,664	-	315,125
Career and Technical Education -- Basic Grants to States Area 18 Vocational Grant	Bluffton-Harrison MSD	84.048	14-4700-8445 16-4700-8445	- -	17,624 -	- -	- 19,410
Total - Career and Technical Education -- Basic Grants to States				-	17,624	-	19,410
English Language Acquisition State Grants Title III	Dekalb County Central United School District Dekalb County Central United School District North Adams Community Schools	84.365	A58-5-15OT-0086 01113-101-PN01 01115-105-PN01	- - -	4,530 2,437 -	- - -	- - 4,103
Total - English Language Acquisition State Grants				-	6,967	-	4,103
Supporting Effective Instruction State Grants Title II Part A	Indiana Department of Education	84.367	12-FY12-8435 13-FY13-8435 14-FY14-8435	- - -	4,784 30,998 10,068	- - -	- 2,489 44,868
Total - Supporting Effective Instruction State Grants				-	45,850	-	47,357
Total - Department of Education				-	780,686	-	876,587
Total federal awards expended				\$ -	\$ 1,206,407	\$ -	\$ 1,304,006

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

NORTHERN WELLS COMMUNITY SCHOOLS
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, 2015 and 2016. 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.

Note 3. Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

NORTHERN WELLS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit finding disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	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
--	----

Section II - Financial Statement Findings

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior report. The prior report finding number was 2014-001.

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

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 SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were overstated by \$365,945 for fiscal year 2014-2015 and \$454,943 for fiscal year 2015-2016.
2. The Special Education Cluster (IDEA) was overstated by \$1,388,159 for fiscal year 2014-2015 and understated by \$38,497 for fiscal year 2015-2016.

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:

NORTHERN WELLS COMMUNITY SCHOOLS
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."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must be included.

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

- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management 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*.

Recommendation

We recommended the School Corporation's management establish controls, including segregation of duties, related to the SEFA.

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 2016-002

Subject: Special Education Cluster (IDEA) - Matching, Level of Effort, Earmarking and Reporting

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): 14213-001-PN01, 14214-001-PN01,
14215-001-PN01, 14216-001-PN01,
99914-001-TA01, 45714-001-PN01,
45715-001-PN01, 45716-001-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting

Audit Finding: Material Weakness

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

Condition

The School Corporation was a member of the Adams-Wells Special Services Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grants. There was no oversight of the Cooperative by the School Corporation. Since the grant agreements are between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative, each member school corporation is ultimately responsible for ensuring compliance with the requirements.

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking and Reporting compliance requirements.

Context

The Cooperative's internal control was that the reports were to be reviewed by the Cooperative's Director prior to submission to the IDOE. The Quarterly Proportionate Share Monitoring Reports for Non-Public Schools presented for audit were not the original reviewed and signed reports. Also, some reports presented were incomplete. Per inquiry of School Corporation's officials, there was no oversight, at the School Corporation, over the filing of required reports submitted to the IDOE.

Of the Quarterly Proportionate Share Monitoring Reports for Non-Public Schools presented for the audit, we could not verify the reported "proportionate share" expenditures. Per inquiry of the Director of the Cooperative, the reported expenditures were calculated by multiplying the applicable monthly reimbursed expenditures by the nonpublic school usage percentage, which was calculated based on a time study conducted annually by the Cooperative's Director. We requested a copy of the time study; however, it was not available for audit.

The lack of controls was a systemic problem, which occurred 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

Cause

Management had not designed or implemented a system of internal control for the Matching, Level of Effort, Earmarking and Reporting compliance 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporations' management establish controls related to the Matching, Level of Effort, Earmarking and Reporting compliance requirements.

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.

Northern Wells Community Schools

312 North Jefferson Street,
Ossian, IN 46777

Telephone (260) 622-4125
Fax (260) 622-7893

Dr. Scott Mills, Superintendent

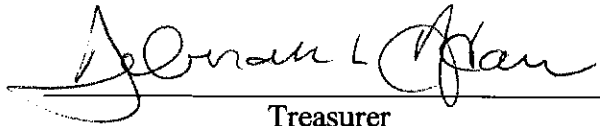
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDINGS: 2014-001 Internal Controls over the Preparation of the Schedule of Expenditures of Federal Award
2014-002 Internal Controls over Financial Transactions and Reporting

Fiscal year in which the finding initially occurred: 2014
Contact Person for Corrective Action: Deborah Adams
Contact Phone Number: 260-622-4125 ext 1008

Status of Audit Findings:

- 2014-001** The reporting was submitted timely but with errors. Northern Wells Community Schools is working to understand the information required to be entered into Gateway. The Treasurer and Deputy Treasurer will review previous audits to help determine what information is required. An example is the lunch program fund 800 was used to enter the 12 month expenses, but only the Federal Award should have been reported. These are the types of errors we will strive to understand and correct.
- 2014-002** Additional control processes have been implemented. Each process is reviewed by someone other than the person performing the process. For example, the monthly bank reconciliations are done by the Treasurer, and reviewed by the Deputy Treasurer. An end-of-the-month check-off list was developed and is used – copy is attached and identified as “attachment 1”. Documented additional review steps have been implemented for other processes as well, including, but not limited to, payroll, voucher processing and receipts.



Treasurer

10/17/2017

Date

Budgetary Month-End Procedures

_____ Bank Reconciliation Done and Reviewed

_____ MTD and YTD expended totals on appropriation report equal the MTD and YTD totals on the fund report

_____ Purchase order balance should equal the outstanding encumbrance total on the appropriation report

_____ MTD and YTD revenue totals should equal the MTD and YTD totals on the fund report

_____ FMS bank report ending balance equals the current balance on the fund report

_____ Totals on FMS bank statement matches the totals on the OSB's statement

MONTH _____

Prepared: _____ **Date:** _____

Reviewed _____ **Date:** _____

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Dr. Scott Mills, Superintendent

CORRECTIVE ACTION PLAN AUDIT PERIOD: JULY 1, 2014 – JUNE 30, 2016

Contact Person Responsible for Corrective Action: Deborah Adams (Treasurer)
Contact Information: (260)-622.4125, deb.adams@nwcs.k12.in.us
Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan:

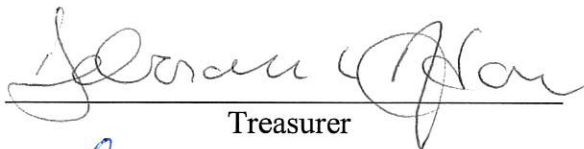
FINDING 2016-001

Northern Wells Community Schools will create instructions detailing how to complete the Federal Awards report (SEFA) accurately. The Treasurer will execute the reports and the Deputy Treasurer will review and sign off. The Treasurer will then complete the Gateway reporting for submission prior to the due date.

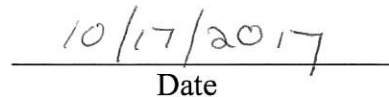
FINDING 2016-002

Northern Wells Community Schools will review (initial and date) the Quarterly Proportionate Share Monitoring Reports for Non-Public Schools prepared by Adams Wells Cooperative, along with the supporting documentation. After review, we will advise Adams Wells of any relative comments and approve Northern Wells Community Schools' portion of the report for submittal to the State.

Anticipated Completion Date: December 31, 2017



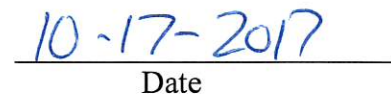
Treasurer



Date



Superintendent



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/>.