

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SOUTH NEWTON SCHOOL CORPORATION  
NEWTON COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**  
03/29/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marci Hall	01-01-15 to 12-31-18
Superintendent of Schools	K. Todd Rudnick Casey Hall	07-01-15 to 12-31-17 01-01-18 to 06-30-18
President of the School Board	Robert Lane Amanda Berenda	01-01-15 to 12-31-16 01-01-17 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTH NEWTON SCHOOL  
CORPORATION, NEWTON COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the South Newton School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, 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, 2015 to June 30, 2017.

***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, 2015 to June 30, 2017, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2018, 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 solely 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 effectiveness of the School Corporation's 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

February 15, 2018



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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 SOUTH NEWTON SCHOOL  
CORPORATION, NEWTON 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 South Newton School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated February 15, 2018, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002, that we consider to be material weaknesses.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002.

**South Newton 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

February 15, 2018

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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.

SOUTH NEWTON SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES  
(USES), AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2016 and 2017

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
General	\$ 1,462,866	\$ 6,399,740	\$ 6,268,525	\$ 18,257	\$ 1,612,338	\$ 6,166,019	\$ 6,484,549	\$ -	\$ 1,293,808
Debt Service	419,455	1,097,399	1,147,420	(24,582)	344,852	1,030,135	959,800	(13,515)	401,672
Retirement/Severance Bond Debt Service	76,734	191,991	250,103	-	18,622	95,409	105,045	-	8,986
Capital Projects	668,069	1,126,064	1,179,847	(100,000)	514,286	1,237,633	1,164,700	(90,000)	497,219
School Transportation	350,730	940,761	627,650	(234,938)	428,903	948,877	670,911	(230,000)	476,869
School Bus Replacement	23,742	230,809	219,857	-	34,694	232,960	200,758	(10,000)	56,896
Rainy Day	464,623	26,018	278,548	400,000	612,093	95,869	264,198	330,000	773,764
School Lunch	379,010	554,528	549,428	-	384,110	548,840	550,690	-	382,260
Textbook Rental	58,597	83,610	24,697	24,582	142,092	91,819	106,230	13,515	141,196
Levy Excess	62	-	-	(62)	-	-	-	-	-
Educational License Plates	132	75	-	-	207	75	-	-	282
Elementary MyOn Donation Fund	-	-	-	-	-	4,866	4,866	-	-
Foundation 4 Star Grant June 2017 MS	-	-	-	-	-	-	423	-	(423)
Elementary Donation Fund	811	-	-	-	811	-	-	-	811
Foundation 4 Star Grant - Davis	34	-	34	-	-	-	-	-	-
Foundation 4 Star Grant - Hufnagel	61	-	61	-	-	-	-	-	-
MainSource Bank Donation	2,288	-	129	-	2,159	-	322	-	1,837
Foundation 4 Star Grant - Turnpaugh	-	3,083	3,083	-	-	-	-	-	-
HS Step Ahead	-	100	-	-	100	50	100	-	50
Reading Family Fun Elementary	4,616	1,000	2,428	-	3,188	-	846	-	2,342
Pioneer Reading Grant	53	-	53	-	-	-	-	-	-
4 Star Grant - Mulligan	1,500	-	329	-	1,171	-	1,171	-	-
English Advanced Placement	500	-	-	-	500	-	-	-	500
Elementary Leadership	149	100	200	-	49	-	-	-	49
Battle of the Book	-	1,701	310	-	1,391	-	1,391	-	-
21st Century Education Fund	-	4,500	4,500	-	-	-	-	-	-
AgBot 2016	-	24,000	3,500	-	20,500	-	18,009	-	2,491
Front Sign Donation	-	-	-	-	-	1,923	-	-	1,923
Ford Quick Click Challenge	-	-	-	-	-	100	100	-	-
Battle of the Books 2016-17	-	-	-	-	-	3,400	1,630	-	1,770
Intro to Engineering Donations	-	-	-	-	-	990	-	-	990
Benton County Windfarms	18,257	-	-	(18,257)	-	-	-	-	-

SOUTH NEWTON SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES  
(USES), AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2016 and 2017

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
Formative Assessment	-	-	-	-	-	8,169	8,169	-	-
High Ability Grant 2014/15	120	-	120	-	-	-	-	-	-
High Ability Grant 2015/16	-	28,482	26,756	-	1,726	-	1,726	-	-
High Ability Grant 2016/17	-	-	-	-	-	28,040	27,889	-	151
Medicaid Reimbursement	10,365	14,446	-	-	24,811	13,937	-	-	38,748
Secured Schools Safety Grant	-	-	9,957	-	(9,957)	11,177	1,220	-	-
Non-English Speaking Programs	-	-	-	-	-	9,583	1,744	-	7,839
NESP Grant 2014/15	1,921	-	1,921	-	-	-	-	-	-
Non-English Speaking Programs	-	7,210	3,991	-	3,219	-	3,219	-	-
School Technology	1,880	4,404	5,100	-	1,184	6,308	5,200	-	2,292
School Technology Repair	896	1,680	4,595	-	(2,019)	198	-	-	(1,821)
Career and Technical Performance Grant	-	-	-	-	-	7,803	7,694	-	109
Senator David Ford Technology	-	-	2,500	-	(2,500)	-	-	-	(2,500)
Title I 2016/17	-	-	-	-	-	100,828	111,664	-	(10,836)
Title I 2014/15	(11,000)	30,186	19,186	-	-	-	-	-	-
Title I 2015/16	-	93,339	114,766	-	(21,427)	39,168	17,741	-	-
State CTE Curriculum Grant	(5,717)	243,189	333,854	-	(96,382)	96,382	-	-	-
Local CTE Curriculum Grant	115,000	-	102,619	-	12,381	288	7,146	-	5,523
Medicaid Reimbursement - Federal	21,762	26,361	8,055	-	40,068	25,584	1,379	-	64,273
Title II Part A 2016/17	-	-	-	-	-	1,678	3,301	-	(1,623)
Title II Part A 2013/14	(4,062)	14,418	10,356	-	-	-	-	-	-
Title II Part A 2014/15	(4,171)	25,952	25,346	-	(3,565)	7,367	3,802	-	-
Title II Part A 2015/16	-	-	1,450	-	(1,450)	32,617	33,160	-	(1,993)
Special Education - Part B	1	-	1	-	-	-	-	-	-
Education Jobs	(3)	3	-	-	-	-	-	-	-
Payroll Funds	935	1,736,353	1,735,814	-	1,474	1,761,675	1,762,450	-	699
Prepaid Lunch Funds	(437)	166,608	166,171	-	-	165,957	165,289	-	668
Totals	<u>\$ 4,059,779</u>	<u>\$ 13,078,110</u>	<u>\$ 13,133,260</u>	<u>\$ 65,000</u>	<u>\$ 4,069,629</u>	<u>\$ 12,775,724</u>	<u>\$ 12,698,532</u>	<u>\$ -</u>	<u>\$ 4,146,821</u>

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

SOUTH NEWTON 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.

SOUTH NEWTON 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.

*Interfund loans.* Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*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.

SOUTH NEWTON 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 lien date (March 1 in a year ending before July 1, 2016 and July 1 in a year beginning after June 30, 2015) 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.

SOUTH NEWTON 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.

*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

SOUTH NEWTON SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursement for the expenditures made by the School Corporation were not received by June 30, 2016 and 2017.

The School Technology Repair fund's deficit in cash is a result of expenses that were higher than the reimbursements received from the parents when students needed repairs on their electronic equipment.

**Note 8. Holding Corporation**

The School Corporation has entered into capital leases with the South Newton 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, 2016 and 2017, totaled \$1,147,420 and \$959,800, 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 Indiana Gateway for Government Units 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.

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	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,462,866	\$ 419,455	\$ 76,734	\$ 668,069	\$ 350,730	\$ 23,742	\$ 464,623	\$ 379,010	\$ 58,597
Receipts:									
Local sources	243,029	1,097,399	191,991	1,119,137	940,761	230,809	26,018	191,691	46,395
Intermediate sources	1,082	-	-	-	-	-	-	-	-
State sources	6,155,629	-	-	-	-	-	-	4,491	36,761
Federal sources	-	-	-	-	-	-	-	358,010	-
Other receipts	-	-	-	6,927	-	-	-	336	454
Total receipts	6,399,740	1,097,399	191,991	1,126,064	940,761	230,809	26,018	554,528	83,610
Disbursements:									
Instruction	4,145,356	-	-	-	-	-	83,112	-	-
Support services	1,970,869	-	-	617,641	627,650	154,857	195,436	219	24,697
Noninstructional services	152,300	-	-	-	-	-	-	549,209	-
Facilities acquisition and construction	-	-	-	562,206	-	-	-	-	-
Debt service	-	1,147,420	250,103	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	65,000	-	-	-
Total disbursements	6,268,525	1,147,420	250,103	1,179,847	627,650	219,857	278,548	549,428	24,697
Excess (deficiency) of receipts over disbursements	131,215	(50,021)	(58,112)	(53,783)	313,111	10,952	(252,530)	5,100	58,913
Other financing sources (uses):									
Transfers in	18,257	-	-	-	65,062	-	400,000	-	24,582
Transfers out	-	(24,582)	-	(100,000)	(300,000)	-	-	-	-
Total other financing sources (uses)	18,257	(24,582)	-	(100,000)	(234,938)	-	400,000	-	24,582
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	149,472	(74,603)	(58,112)	(153,783)	78,173	10,952	147,470	5,100	83,495
Cash and investments - ending	\$ 1,612,338	\$ 344,852	\$ 18,622	\$ 514,286	\$ 428,903	\$ 34,694	\$ 612,093	\$ 384,110	\$ 142,092

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	Levy Excess	Educational License Plates	Elementary MyOn Donation Fund	Foundation 4 Star Grant June 2017 MS	Elementary Donation Fund	Foundation 4 Star Grant - Davis	Foundation 4 Star Grant - Hufnagel	MainSource Bank Donation	Foundation 4 Star Grant - Turnpaugh
Cash and investments - beginning	\$ 62	\$ 132	\$ -	\$ -	\$ 811	\$ 34	\$ 61	\$ 2,288	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	3,083
Intermediate sources	-	75	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	75	-	-	-	-	-	-	3,083
Disbursements:									
Instruction	-	-	-	-	-	34	61	129	3,083
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	34	61	129	3,083
Excess (deficiency) of receipts over disbursements	-	75	-	-	-	(34)	(61)	(129)	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(62)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(62)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(62)	75	-	-	-	(34)	(61)	(129)	-
Cash and investments - ending	\$ -	\$ 207	\$ -	\$ -	\$ 811	\$ -	\$ -	\$ 2,159	\$ -

SOUTH NEWTON SCHOOL CORPORATION  
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	HS Step Ahead	Reading Family Fun Elementary	Pioneer Reading Grant	4 Star Grant - Mulligan	English Advanced Placement	Elementary Leadership	Battle of the Book	21st Century Education Fund	AgBot 2016
Cash and investments - beginning	\$ -	\$ 4,616	\$ 53	\$ 1,500	\$ 500	\$ 149	\$ -	\$ -	\$ -
Receipts:									
Local sources	100	1,000	-	-	-	100	1,701	4,500	24,000
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	100	1,000	-	-	-	100	1,701	4,500	24,000
Disbursements:									
Instruction	-	2,428	53	329	-	200	310	4,500	3,500
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	2,428	53	329	-	200	310	4,500	3,500
Excess (deficiency) of receipts over disbursements	100	(1,428)	(53)	(329)	-	(100)	1,391	-	20,500
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	(1,428)	(53)	(329)	-	(100)	1,391	-	20,500
Cash and investments - ending	\$ 100	\$ 3,188	\$ -	\$ 1,171	\$ 500	\$ 49	\$ 1,391	\$ -	\$ 20,500

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	Front Sign Donation	Ford Quick Click Challenge	Battle of the Books 2016-17	Intro to Engineering Donations	Benton County Windfarms	Formative Assessment	High Ability Grant 2014/15	High Ability Grant 2015/16	High Ability Grant 2016/17
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 18,257	\$ -	\$ 120	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	28,482	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	28,482	-
Disbursements:									
Instruction	-	-	-	-	-	-	120	26,756	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	120	26,756	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	(120)	1,726	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(18,257)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(18,257)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	(18,257)	-	(120)	1,726	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,726	\$ -

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	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs	NESP Grant 2014/15	Non-English Speaking Programs	School Technology	School Technology Repair	Career and Technical Performance Grant
Cash and investments - beginning	\$ 10,365	\$ -	\$ -	\$ 1,921	\$ -	\$ 1,880	\$ 896	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	1,680	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	14,446	-	-	-	7,210	4,404	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	14,446	-	-	-	7,210	4,404	1,680	-
Disbursements:								
Instruction	-	-	-	1,921	3,991	-	-	-
Support services	-	9,957	-	-	-	5,100	4,595	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	9,957	-	1,921	3,991	5,100	4,595	-
Excess (deficiency) of receipts over disbursements	14,446	(9,957)	-	(1,921)	3,219	(696)	(2,915)	-
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	14,446	(9,957)	-	(1,921)	3,219	(696)	(2,915)	-
Cash and investments - ending	\$ 24,811	\$ (9,957)	\$ -	\$ -	\$ 3,219	\$ 1,184	\$ (2,019)	\$ -

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	Senator David Ford Technology	Title I 2016/17	Title I 2014/15	Title I 2015/16	State CTE Curriculum Grant	Local CTE Curriculum Grant	Medicaid Reimbursement - Federal	Title II Part A 2016/17
Cash and investments - beginning	\$ -	\$ -	\$ (11,000)	\$ -	\$ (5,717)	\$ 115,000	\$ 21,762	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	243,189	-	-	-
Federal sources	-	-	30,186	93,339	-	-	26,361	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	30,186	93,339	243,189	-	26,361	-
Disbursements:								
Instruction	-	-	18,570	105,511	333,854	102,619	8,055	-
Support services	2,500	-	616	7,173	-	-	-	-
Noninstructional services	-	-	-	2,082	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	2,500	-	19,186	114,766	333,854	102,619	8,055	-
Excess (deficiency) of receipts over disbursements	(2,500)	-	11,000	(21,427)	(90,665)	(102,619)	18,306	-
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	(2,500)	-	11,000	(21,427)	(90,665)	(102,619)	18,306	-
Cash and investments - ending	\$ (2,500)	\$ -	\$ -	\$ (21,427)	\$ (96,382)	\$ 12,381	\$ 40,068	\$ -

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	Title II Part A 2013/14	Title II Part A 2014/15	Title II Part A 2016/15	Special Education - Part B	Education Jobs	Payroll Funds	Prepaid Lunch Funds	Totals
Cash and investments - beginning	\$ (4,062)	\$ (4,171)	\$ -	\$ 1	\$ (3)	\$ 935	\$ (437)	\$ 4,059,779
Receipts:								
Local sources	-	-	-	-	-	-	-	4,123,394
Intermediate sources	-	-	-	-	-	-	-	1,157
State sources	-	-	-	-	-	-	-	6,494,612
Federal sources	14,418	25,952	-	-	-	-	-	548,266
Other receipts	-	-	-	-	3	1,736,353	166,608	1,910,681
Total receipts	14,418	25,952	-	-	3	1,736,353	166,608	13,078,110
Disbursements:								
Instruction	10,356	25,346	1,450	-	-	-	-	4,881,644
Support services	-	-	-	-	-	-	-	3,621,310
Noninstructional services	-	-	-	-	-	-	-	703,591
Facilities acquisition and construction	-	-	-	-	-	-	-	562,206
Debt service	-	-	-	-	-	-	-	1,397,523
Nonprogrammed charges	-	-	-	1	-	1,735,814	166,171	1,901,986
Interfund loans	-	-	-	-	-	-	-	65,000
Total disbursements	10,356	25,346	1,450	1	-	1,735,814	166,171	13,133,260
Excess (deficiency) of receipts over disbursements	4,062	606	(1,450)	(1)	3	539	437	(55,150)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	507,901
Transfers out	-	-	-	-	-	-	-	(442,901)
Total other financing sources (uses)	-	-	-	-	-	-	-	65,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,062	606	(1,450)	(1)	3	539	437	9,850
Cash and investments - ending	\$ -	\$ (3,565)	\$ (1,450)	\$ -	\$ -	\$ 1,474	\$ -	\$ 4,069,629

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	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,612,338	\$ 344,852	\$ 18,622	\$ 514,286	\$ 428,903	\$ 34,694	\$ 612,093	\$ 384,110	\$ 142,092
Receipts:									
Local sources	249,360	1,030,135	95,409	1,237,633	948,877	232,960	95,869	191,945	50,477
Intermediate sources	548	-	-	-	-	-	-	-	-
State sources	5,916,111	-	-	-	-	-	-	4,406	40,892
Federal sources	-	-	-	-	-	-	-	352,028	-
Other receipts	-	-	-	-	-	-	-	461	450
Total receipts	<u>6,166,019</u>	<u>1,030,135</u>	<u>95,409</u>	<u>1,237,633</u>	<u>948,877</u>	<u>232,960</u>	<u>95,869</u>	<u>548,840</u>	<u>91,819</u>
Disbursements:									
Instruction	4,255,633	-	-	-	-	-	85,593	-	-
Support services	2,061,963	-	-	643,607	670,911	200,758	178,605	46	106,230
Noninstructional services	166,953	-	-	-	-	-	-	550,644	-
Facilities acquisition and construction	-	-	-	521,093	-	-	-	-	-
Debt service	-	959,800	105,045	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>6,484,549</u>	<u>959,800</u>	<u>105,045</u>	<u>1,164,700</u>	<u>670,911</u>	<u>200,758</u>	<u>264,198</u>	<u>550,690</u>	<u>106,230</u>
Excess (deficiency) of receipts over disbursements	<u>(318,530)</u>	<u>70,335</u>	<u>(9,636)</u>	<u>72,933</u>	<u>277,966</u>	<u>32,202</u>	<u>(168,329)</u>	<u>(1,850)</u>	<u>(14,411)</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	330,000	-	13,515
Transfers out	-	(13,515)	-	(90,000)	(230,000)	(10,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(13,515)</u>	<u>-</u>	<u>(90,000)</u>	<u>(230,000)</u>	<u>(10,000)</u>	<u>330,000</u>	<u>-</u>	<u>13,515</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(318,530)</u>	<u>56,820</u>	<u>(9,636)</u>	<u>(17,067)</u>	<u>47,966</u>	<u>22,202</u>	<u>161,671</u>	<u>(1,850)</u>	<u>(896)</u>
Cash and investments - ending	<u>\$ 1,293,808</u>	<u>\$ 401,672</u>	<u>\$ 8,986</u>	<u>\$ 497,219</u>	<u>\$ 476,869</u>	<u>\$ 56,896</u>	<u>\$ 773,764</u>	<u>\$ 382,260</u>	<u>\$ 141,196</u>

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	Levy Excess	Educational License Plates	Elementary MyOn Donation Fund	Foundation 4 Star Grant June 2017 MS	Elementary Donation Fund	Foundation 4 Star Grant - Davis	Foundation 4 Star Grant - Hufnagel	MainSource Bank Donation	Foundation 4 Star Grant - Turnpaugh
Cash and investments - beginning	\$ -	\$ 207	\$ -	\$ -	\$ 811	\$ -	\$ -	\$ 2,159	\$ -
Receipts:									
Local sources	-	-	4,866	-	-	-	-	-	-
Intermediate sources	-	75	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	75	4,866	-	-	-	-	-	-
Disbursements:									
Instruction	-	-	4,866	423	-	-	-	322	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	4,866	423	-	-	-	322	-
Excess (deficiency) of receipts over disbursements	-	75	-	(423)	-	-	-	(322)	-
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	-	75	-	(423)	-	-	-	(322)	-
Cash and investments - ending	\$ -	\$ 282	\$ -	\$ (423)	\$ 811	\$ -	\$ -	\$ 1,837	\$ -

SOUTH NEWTON SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	HS Step Ahead	Reading Family Fun Elementary	Pioneer Reading Grant	4 Star Grant - Mulligan	English Advanced Placement	Elementary Leadership	Battle of the Book	21st Century Education Fund	AgBot 2016
Cash and investments - beginning	\$ 100	\$ 3,188	\$ -	\$ 1,171	\$ 500	\$ 49	\$ 1,391	\$ -	\$ 20,500
Receipts:									
Local sources	50	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	50	-	-	-	-	-	-	-	-
Disbursements:									
Instruction	100	846	-	1,171	-	-	1,391	-	18,009
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	100	846	-	1,171	-	-	1,391	-	18,009
Excess (deficiency) of receipts over disbursements	(50)	(846)	-	(1,171)	-	-	(1,391)	-	(18,009)
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	(50)	(846)	-	(1,171)	-	-	(1,391)	-	(18,009)
Cash and investments - ending	\$ 50	\$ 2,342	\$ -	\$ -	\$ 500	\$ 49	\$ -	\$ -	\$ 2,491

SOUTH NEWTON SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Front Sign Donation	Ford Quick Click Challenge	Battle of the Books 2016-17	Intro to Engineering Donations	Benton County Windfarms	Formative Assessment	High Ability Grant 2014/15	High Ability Grant 2015/16	High Ability Grant 2016/17
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,726	\$ -
Receipts:									
Local sources	1,923	100	3,400	990	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	8,169	-	-	28,040
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	1,923	100	3,400	990	-	8,169	-	-	28,040
Disbursements:									
Instruction	-	100	1,630	-	-	8,169	-	1,726	27,889
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	100	1,630	-	-	8,169	-	1,726	27,889
Excess (deficiency) of receipts over disbursements	1,923	-	1,770	990	-	-	-	(1,726)	151
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	1,923	-	1,770	990	-	-	-	(1,726)	151
Cash and investments - ending	\$ 1,923	\$ -	\$ 1,770	\$ 990	\$ -	\$ -	\$ -	\$ -	\$ 151

SOUTH NEWTON SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs	NESP Grant 2014/15	Non-English Speaking Programs	School Technology	School Technology Repair	Career and Technical Performance Grant
Cash and investments - beginning	\$ 24,811	\$ (9,957)	\$ -	\$ -	\$ 3,219	\$ 1,184	\$ (2,019)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	198	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	13,937	11,177	9,583	-	-	6,308	-	7,803
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	13,937	11,177	9,583	-	-	6,308	198	7,803
Disbursements:								
Instruction	-	-	1,744	-	3,219	-	-	7,694
Support services	-	1,220	-	-	-	5,200	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	1,220	1,744	-	3,219	5,200	-	7,694
Excess (deficiency) of receipts over disbursements	13,937	9,957	7,839	-	(3,219)	1,108	198	109
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	13,937	9,957	7,839	-	(3,219)	1,108	198	109
Cash and investments - ending	\$ 38,748	\$ -	\$ 7,839	\$ -	\$ -	\$ 2,292	\$ (1,821)	\$ 109

SOUTH NEWTON SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Senator David Ford Technology	Title I 2016/17	Title I 2014/15	Title I 2015/16	State CTE Curriculum Grant	Local CTE Curriculum Grant	Medicaid Reimbursement - Federal	Title II Part A 2016/17
Cash and investments - beginning	\$ (2,500)	\$ -	\$ -	\$ (21,427)	\$ (96,382)	\$ 12,381	\$ 40,068	\$ -
Receipts:								
Local sources	-	-	-	-	-	288	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	96,382	-	-	-
Federal sources	-	100,828	-	39,168	-	-	25,584	1,678
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	100,828	-	39,168	96,382	288	25,584	1,678
Disbursements:								
Instruction	-	107,970	-	17,741	-	7,146	1,379	3,301
Support services	-	3,694	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	111,664	-	17,741	-	7,146	1,379	3,301
Excess (deficiency) of receipts over disbursements	-	(10,836)	-	21,427	96,382	(6,858)	24,205	(1,623)
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	-	(10,836)	-	21,427	96,382	(6,858)	24,205	(1,623)
Cash and investments - ending	\$ (2,500)	\$ (10,836)	\$ -	\$ -	\$ -	\$ 5,523	\$ 64,273	\$ (1,623)

SOUTH NEWTON SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Title II Part A 2013/14	Title II Part A 2014/15	Title II Part A 2016/15	Special Education - Part B	Education Jobs	Payroll Funds	Prepaid Lunch Funds	Totals
Cash and investments - beginning	\$ -	\$ (3,565)	\$ (1,450)	\$ -	\$ -	\$ 1,474	\$ -	\$ 4,069,629
Receipts:								
Local sources	-	-	-	-	-	-	-	4,144,480
Intermediate sources	-	-	-	-	-	-	-	623
State sources	-	-	-	-	-	-	-	6,142,808
Federal sources	-	7,367	32,617	-	-	-	-	559,270
Other receipts	-	-	-	-	-	1,761,675	165,957	1,928,543
Total receipts	-	7,367	32,617	-	-	1,761,675	165,957	12,775,724
Disbursements:								
Instruction	-	3,802	33,160	-	-	-	-	4,595,024
Support services	-	-	-	-	-	-	-	3,872,234
Noninstructional services	-	-	-	-	-	-	-	717,597
Facilities acquisition and construction	-	-	-	-	-	-	-	521,093
Debt service	-	-	-	-	-	-	-	1,064,845
Nonprogrammed charges	-	-	-	-	-	1,762,450	165,289	1,927,739
Total disbursements	-	3,802	33,160	-	-	1,762,450	165,289	12,698,532
Excess (deficiency) of receipts over disbursements	-	3,565	(543)	-	-	(775)	668	77,192
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	343,515
Transfers out	-	-	-	-	-	-	-	(343,515)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,565	(543)	-	-	(775)	668	77,192
Cash and investments - ending	\$ -	\$ -	\$ (1,993)	\$ -	\$ -	\$ 699	\$ 668	\$ 4,146,821

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 253,793</u>	<u>\$ 17,377</u>

SOUTH NEWTON SCHOOL CORPORATION  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Cooperative School Services	Building Lease	\$ 9,477	01/01/2007	12/31/2021
PNC Equipment Finance	Energy Savings Project	128,744	01/15/2008	07/15/2017
South Newton School Building Corporation	Building Lease	374,000	01/15/1996	01/15/2030
South Newton School Building Corporation	Building Lease	167,500	07/15/2015	01/15/2023
South Newton School Building Corporation	Building Lease	<u>227,500</u>	07/15/2017	01/15/2027
Total of annual lease payments		<u>\$ 907,221</u>		

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE SOUTH NEWTON SCHOOL  
CORPORATION, NEWTON COUNTY, INDIANA

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

We have audited the South Newton School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2015 to June 30, 2017. The School Corporation's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. Except as discussed below, 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 2017-005 and 2017-008 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 Child Nutrition Cluster regarding Eligibility and Reporting. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

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

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, 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 Child Nutrition Cluster for the period of July 1, 2015 to June 30, 2017.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-004, 2017-006, and 2017-007. Our opinion on the 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.


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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, and 2017-008, that we consider to be material weaknesses.

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

February 15, 2018

#### 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.

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2016 and 2017

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 06-30-16	Total Federal Awards Expended 06-30-16	Pass-Through To Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
<u>Department of Agriculture</u>							
Child Nutrition Cluster	Indiana Department of Education						
School Breakfast Program		10.553	FY2016	\$ -	\$ 87,984	\$ -	\$ -
School Breakfast Program		10.553	FY2017	-	-	-	84,417
Total - School Breakfast Program				-	87,984	-	84,417
National School Lunch Program		10.555	FY2016	-	270,026	-	-
National School Lunch Program		10.555	FY2017	-	-	-	267,611
National School Lunch Program - Commodities		10.555	FY2016	-	32,497	-	-
National School Lunch Program - Commodities		10.555	FY2017	-	-	-	39,064
Total - National School Lunch Program				-	302,523	-	306,675
Summer Food Service Program for Children		10.559	FY2016	-	15,163	-	-
Summer Food Service Program for Children		10.559	FY2017	-	-	-	15,568
Total - Summer Food Service Program for Children				-	15,163	-	15,568
Total - Child Nutrition Cluster				-	405,670	-	406,660
Total - Department of Agriculture				-	405,670	-	406,660
<u>Department of Education</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	15-5995	-	30,186	-	-
		84.010	16-5995	-	93,339	-	39,168
		84.010	17-5995	-	-	-	100,828
Total - Title I Grants to Local Educational Agencies				-	123,525	-	139,996
<u>Special Education Cluster (IDEA)</u>							
Special Education_Grants to States	Indiana Department of Education						
Federal Tech Assist Grant Part B Funds		84.027	99914-051-TA01	-	80	-	-
Part B 611 FY2014		84.027	14214-051-PN01	-	1,221	-	-
Part B 611 FY2015		84.027	14215-051-PN01	-	61,000	-	-
Part B IDEA Regular FY2016		84.027	14216-049-PN01	-	170,876	-	33,364
Part B IDEA Regular FY2016		84.027	14216-150-PN01	-	-	-	19,231
Part B 611 FY2017		84.027	14217-049-PN01	-	-	-	182,948
Total - Special Education_Grants to States (IDEA)				-	233,177	-	235,543

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2016 and 2017

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 06-30-16	Total Federal Awards Expended 06-30-16	Pass-Through To Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
Special Education_Preschool Grants	Indiana Department of Education						
Preschool Grant FY2015		84.173	45715-051-PN01	-	4,156	-	-
Preschool Grant FY2016		84.173	45716-049-PN01	-	7,493	-	2,261
Preschool Grant FY2016		84.173	45716-150-PN01	-	-	-	3,612
Preschool Grant FY2017		84.173	45717-049-PN01	-	-	-	5,171
Total - Special Education_Preschool Grant				-	11,649	-	11,044
Total - Special Education Cluster (IDEA)				-	244,826	-	246,587
English Language Acquisition State Grants	Indiana Department of Education						
		84.365	01115-110-PN01	-	2,223	-	377
		84.365	01116-128-PN01	-	4,284	-	2,206
Total - English Language Acquisition State Grants				-	6,507	-	2,583
Supporting Effective Instruction State Grants	Indiana Department of Education						
		84.367	FY 14	-	14,418	-	-
		84.367	FY 15	-	25,952	-	7,367
		84.367	FY 16	-	-	-	32,617
		84.367	FY 17	-	-	-	1,678
Total - Supporting Effective Instruction State Grants				-	40,370	-	41,662
Total - Department of Education				-	415,228	-	430,828
Total federal awards expended				\$ -	\$ 820,898	\$ -	\$ 837,488

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

SOUTH NEWTON 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, 2016 and 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3. *Special Education Cooperative and Wabash Valley Consortium***

The School Corporation is a member of a Special Education Cooperative. As a result, some of the 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 fiscal agent for the Special Education Cooperative.

The School Corporation is a member of the Wabash Valley Consortium. As a result, some activity for the English Language Acquisition State Grants 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 Wabash Valley Consortium.

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
--	----

**Section II - Financial Statement Findings**

**FINDING 2017-001**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-001.

*Condition*

There were deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting. There was a lack of segregation of duties as the School Corporation had not separated incompatible activities related to Cash and Investments, Receipts, Disbursements, and Financial Reporting.

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Context*

The lack of adequate internal controls was a systemic issue throughout the audit period.

*Cash and Investments*

The Payroll/Personnel Manager independently prepared the reconcilements of the cash and investment balances. There was no segregation of duties, such as an oversight, review, or approval process.

*Receipts*

The Treasurer issued receipts, recorded receipts, and took deposits to the bank. There was no segregation of duties, such as an oversight, review, or approval process.

*Disbursements*

The Treasurer independently prepared claims, recorded claims, and issued and mailed checks to vendors. There was no segregation of duties, such as an oversight, review, or approval process.

The Payroll/Personnel Manager entered all payroll related activities into the payroll system. There was no segregation of duties, such as an oversight, review, or approval process.

*Financial Reporting*

The Treasurer prepared and submitted the Form 9 financial reports (reports) to the Indiana Department of Education. The reports were signed by the President of the School Board and the Superintendent of Schools. However, the School Corporation stated that no supporting documentation was presented for the review. There was no documented review of the supporting documentation to ensure the accuracy of the reports prior to submission.

*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. . . ."

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

The School Corporation had not established a proper system of internal control that segregated key functions.

*Effect*

The failure to establish and properly implement controls could have enabled material misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the School Corporation's management establish and document effective controls, including segregation of duties, to ensure the accuracy of Cash and Investments, Receipts, and Disbursements, and Financial Reporting.

*Views of Responsible Officials*

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

**FINDING 2017-002**

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

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-002.

*Condition*

The School Corporation had not established or implemented an effective system of internal controls to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which is the source for the SEFA. One employee prepared and submitted the grant information without an oversight or review process to detect and correct errors before submission.

*Context*

The lack of internal controls was a systemic issue throughout the audit period. The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures did not include commodities of \$32,497 and \$39,064 for the 2015-2016 and 2016-2017 fiscal years, respectively.
2. The Special Education Cluster (IDEA) expenditures were understated by \$106,492 for the 2016-2017 fiscal year.

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

3. The English Language Acquisition State Grants expenditures were understated by \$6,507 and \$2,583 for the 2015-2016 and 2016-2017 fiscal years, respectively.

Audit adjustments were proposed and 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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes:

- Accurate and timely recording of transactions. . . ."

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.

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (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.
- (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*

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 *Context*.

*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 2017-003**

Subject: School Breakfast Program and National School Lunch Program - Program Income, 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): FY2016, FY2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Program Income, Special Test and Provisions - Verification  
Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-003.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Program Income and Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Program Income*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that all of the collections received for sales of meals were properly deposited and recorded into the School Lunch fund.

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

The School Corporation had not established effective controls to ensure that verifications were properly performed. The Food Service Director performed the verifications of free and reduced price meal applications and made the determination of whether or not a change in eligibility was necessary without a proper system of oversight or review.

*Context*

The lack of internal controls was a systemic issue throughout the audit period.

*Criteria*

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).  
..."

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with the Program Income and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the Program Income and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2017-004**

Subject: School Breakfast Program and National School Lunch Program - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-004.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement. The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in accordance with the Cash Management compliance requirement.

The School Corporation did not comply with the Cash Management compliance requirement. The School Lunch fund balances exceeded three months average expenditures throughout the audit period.

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Context*

The lack of controls and noncompliance were systemic issues. The net cash resources in the School Lunch fund exceeded the three months average expenditures for all 24 months of the audit period. The average excess balances were \$186,267 and \$189,900 for the 2015-2016 and 2016-2017 fiscal years, respectively.

*Criteria*

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 and the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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 resources 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. . . ."

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)."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation establish controls to ensure compliance and comply with the 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 2017-005**

Subject: School Breakfast Program and National School Lunch Program - Eligibility  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-003.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that free and reduced price meal applications were accurately evaluated for eligibility. The application information was entered into the food service software, which automatically made the eligibility determination dependent on the information entered either by food services personnel or by parents/guardians online. There was no oversight or review to ensure that the information entered into the food service software was accurate.

The School Corporation also had not established effective controls to ensure that the public announcement of eligibility criteria on the School Corporation's website was complete or that they retained evidence that households were notified of their children's eligibility for benefits.

The School Corporation was unable to provide evidence that they complied with the eligibility requirements regarding the public announcement of eligibility criteria. The information did not include information for children whose parents or guardians become unemployed. They also were not able to provide evidence that parents/guardians were notified of their children's eligibility for benefits.

*Context*

The lack of controls was a systemic issue throughout the audit period. In addition, letters sent to parents/guardians on the status of their school lunch applications were not retained for either year.

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

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). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

7 CFR 245.5(a) Public Announcement of the Eligibility Criteria, (1)(vii) states:

"A statement to the effect that children having parents or guardians who become unemployed are eligible for free or reduced price meals or for free milk during the period of unemployment, *Provided*, that the loss of income causes the household income during the period of unemployment to be within the eligibility criteria."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured that supporting documentation was complete and maintained for audit to ensure compliance with the Eligibility compliance requirement.

*Effect*

The failure to maintain and provide evidence that households were properly notified of their children's eligibility prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation establish controls to ensure that their public notice contains all required information and that adequate documentation is maintained for audit regarding the notification of eligibility in compliance with the Eligibility 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 2017-006**

Subject: Child Nutrition Cluster - Equipment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch  
Program, Summer Food Program for Children  
CFDA Numbers: 10553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Equipment and Real Property Management  
Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established an effective internal control system related to the equipment requirements of the Equipment and Real Property Management compliance requirement.

The School Corporation did not have adequate policies and procedures to ensure compliance with the requirements that they maintain records of equipment purchased in whole or in part with federal funds and that they perform a physical inventory of this equipment.

The School Corporation did not comply with the equipment requirements. They did not maintain a list of equipment acquired with federal awards nor did they perform a physical inventory of equipment acquired with federal awards during the audit period.

*Context*

The lack of controls and the noncompliance were systemic issues throughout the audit period.

*Criteria*

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).  
.. ."

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.313(d) states in part:

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the projects costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the equipment requirements of the Equipment and Real Property Management compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation establish controls to ensure compliance and comply with the Equipment and Real Property 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 2017-007**

Subject: Child Nutrition Cluster - Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-003.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

*Suspension and Debarment*

The School Corporation had not established effective controls to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

The School Corporation did not comply with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement. They did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

*Context*

The lack of controls and the noncompliance were systemic issues throughout the audit period. No verification procedures were performed for any of the contracted vendors paid from the grants.

*Criteria*

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). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions;
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment 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 2017-008**

Subject: Child Nutrition Cluster - Reporting  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-005.

*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.

There were no controls in place to ensure that required reports were complete and accurate prior to submission or that supporting documentation for certain reports was maintained. The Food Service Director prepared and submitted the Annual Financial Reports and the School Food Authority (SFA) Verification Collection Report (Verification Report) without oversight, review, or approval.

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation could not provide documentation to support the information on the Verification Report for 2017 school year.

*Context*

The lack of controls was a systemic issue throughout the audit period. The lack of supporting documentation of the accuracy of the 2017 school year Verification Report was isolated to the 2017 school year.

*Criteria*

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). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

The School Corporation had not developed a system of internal controls to ensure that adequate supporting documentation of the information reported in the Verification Report was maintained for audit.

*Effect*

The failure to establish an effective internal control system prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation establish controls to ensure that documentation was maintained and made available for audit relating to the Reporting compliance requirement.

SOUTH NEWTON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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.

**South Newton School Corporation**  
**13232 S 50 E**  
**Kentland, IN 47951**

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Casey Hall  
Superintendent

Kim Wright  
Payroll & Personnel

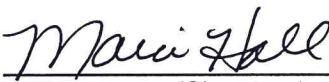
Marci Hall  
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2015-001 Internal Controls over Financial Transactions and Reporting***

Fiscal year in which the finding initially occurred: 2015  
Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Status of Audit Finding: Since the last audit was performed (August, 2017) after the current audit period ended we were not able to correct this in a timely manner for the audit period July 1, 2015 – June 30, 2017.



\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Treasurer

(Title)

\_\_\_\_\_  
January 18, 2018

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

South Newton School Corporation  
13232 S 50 E  
Kentland, IN 47951

Casey Hall  
Superintendent

Kim Wright  
Payroll & Personnel

Marci Hall  
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2015-002 Preparation of the Schedule of Expenditures of Federal Awards***

Fiscal year in which the finding initially occurred: 2015  
Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Status of Audit Finding: Since the last audit was performed (August, 2017) after the current audit period ended we were not able to correct this in a timely manner for the audit period July 1, 2015 – June 30, 2017.



(Signature)

Treasurer

(Title)

January 18, 2018

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

# South Newton School Corporation

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Kentland, IN 47951

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Payroll & Personnel

Marci Hall  
Treasurer

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2015-003 Internal Controls over Child Nutrition Cluster***

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Status of Audit Finding: Since the last audit was performed (August, 2017) after the current audit period ended we were not able to correct this in a timely manner for the audit period July 1, 2015 – June 30, 2017.

  
\_\_\_\_\_  
(Signature)

Treasurer  
\_\_\_\_\_  
(Title)

January 18, 2018  
\_\_\_\_\_  
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

**South Newton School Corporation**  
**13232 S 50 E**  
**Kentland, IN 47951**

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Casey Hall  
Superintendent

Kim Wright  
Payroll & Personnel

Marci Hall  
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2015-004 School Breakfast Program and National School Lunch Program - Cash Management***

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Status of Audit Finding: Since the last audit was performed (August, 2017) after the current audit period ended we were not able to correct this in a timely manner for the audit period July 1, 2015 – June 30, 2017.

  
\_\_\_\_\_  
(Signature)

Treasurer  
\_\_\_\_\_  
(Title)

January 18, 2018  
\_\_\_\_\_  
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2015-005 Child Nutrition Cluster - Reporting***

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Status of Audit Finding: Since the last audit was performed (August, 2017) after the current audit period ended we were not able to correct this in a timely manner for the audit period July 1, 2015 – June 30, 2017.

  
\_\_\_\_\_  
(Signature)

Treasurer  
\_\_\_\_\_  
(Title)

January 18, 2018  
\_\_\_\_\_  
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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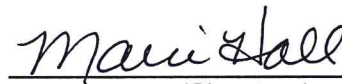
Marci Hall  
Treasurer

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2015-006 Special Education Cluster (IDEA) – Matching, Level of Effort, Earmarking***

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Status of Audit Finding: Since the last audit was performed (August, 2017) after the current audit period ended we were not able to correct this in a timely manner for the audit period July 1, 2015 – June 30, 2017.



(Signature)

Treasurer

(Title)

January 18, 2018

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2015-007 Special Education Cluster (IDEA) - Procurement and Suspension and Debarment***

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Status of Audit Finding: Since the last audit was performed (August, 2017) after the current audit period ended we were not able to correct this in a timely manner for the audit period July 1, 2015 – June 30, 2017.

  
\_\_\_\_\_  
(Signature)

Treasurer  
\_\_\_\_\_  
(Title)

January 18, 2018  
\_\_\_\_\_  
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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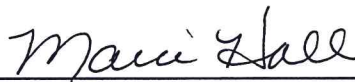
Marci Hall  
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2015-008 Special Education Cluster (IDEA) - Reporting***

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Status of Audit Finding: Since the last audit was performed (August, 2017) after the current audit period ended we were not able to correct this in a timely manner for the audit period July 1, 2015 – June 30, 2017.

  
\_\_\_\_\_  
(Signature)

Treasurer  
\_\_\_\_\_  
(Title)

January 18, 2018  
\_\_\_\_\_  
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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Treasurer

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-001***

Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of financial transactions and reporting. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

#### Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to better segregate duties between limited staff.

Anticipated Completion Date: Immediately

  
\_\_\_\_\_  
(Signature)

Treasurer  
\_\_\_\_\_  
(Title)

February 15, 2018  
\_\_\_\_\_  
(Date)

# South Newton School Corporation

13232 S 50 E  
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Superintendent

Kim Wright  
Payroll & Personnel

Marci Hall  
Treasurer

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-002***

Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

#### Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to better segregate duties between limited staff and perform dual verification when possible.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

February 15, 2018

(Date)

# South Newton School Corporation

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Superintendent

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Payroll & Personnel

Marci Hall  
Treasurer

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-003***

Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

#### Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to better segregate duties between limited staff regarding the Programs listed above. We will attempt to have dual verification and sign-off on documents.

Anticipated Completion Date: Immediately

  
\_\_\_\_\_  
(Signature)

Treasurer  
\_\_\_\_\_  
(Title)

February 15, 2018  
\_\_\_\_\_  
(Date)

# South Newton School Corporation

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Treasurer

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-004***

Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

#### Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to more efficiently manage our cash balance regarding the requirement of only maintaining a three month average of expenditures as our cash balance.

Anticipated Completion Date: Immediately

  
\_\_\_\_\_  
(Signature)

Treasurer  
\_\_\_\_\_  
(Title)

February 15, 2018  
\_\_\_\_\_  
(Date)

# South Newton School Corporation

13232 S 50 E  
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Treasurer

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-005***

Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

#### Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to more accurately evaluate applications received for eligibility of benefits. We will attempt to have dual verification and sign-off on documents and retain documents as required.

Anticipated Completion Date: Immediately

  
\_\_\_\_\_  
(Signature)

Treasurer  
\_\_\_\_\_  
(Title)

February 15, 2018  
\_\_\_\_\_  
(Date)

# South Newton School Corporation

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Superintendent

Kim Wright  
Payroll & Personnel

Marci Hall  
Treasurer

## CORRECTIVE ACTION PLAN

### **FINDING 2017-006**

Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report.

#### Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to attempt to meet the Equipment and Real Property Management compliance requirement.

Anticipated Completion Date: Immediately

  
\_\_\_\_\_  
(Signature)

Treasurer  
\_\_\_\_\_  
(Title)

February 15, 2018  
\_\_\_\_\_  
(Date)

# South Newton School Corporation

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Marci Hall  
Treasurer

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-007***

Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

### Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to attempt to meet the Procurement and Suspension and Debarment compliance requirement.

Anticipated Completion Date: Immediately

  
\_\_\_\_\_  
(Signature)

Treasurer  
\_\_\_\_\_  
(Title)

February 15, 2018  
\_\_\_\_\_  
(Date)

# South Newton School Corporation

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Marci Hall  
Treasurer

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-008***

Contact Person Responsible for Corrective Action: Marci Hall  
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

### Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to attempt to meet the Reporting compliance requirement.

Anticipated Completion Date: Immediately

  
\_\_\_\_\_  
(Signature)

Treasurer  
\_\_\_\_\_  
(Title)

February 15, 2018  
\_\_\_\_\_  
(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/>.