

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NORTHWESTERN SCHOOL CORPORATION
HOWARD COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
05/29/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-29
Schedule of Leases and Debt	30
Schedule of Capital Assets.....	31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance	34-35
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	39
Notes to Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41-44
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	46-48
Corrective Action Plan	49
Other Reports.....	50

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager	Jamie Shepherd	07-01-15 to 06-30-18
Superintendent of Schools	Ryan Snoddy	07-01-15 to 06-30-18
President of the School Board	Steve Jones Jonathan Underwood Bryan Alexander Steve Jones	01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Northwestern School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 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 Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 1, 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

May 1, 2018



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Northwestern School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated May 1, 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 item 2017-001, that we consider to be a material weakness.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free 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 2017-001.

Northwestern School Corporation's Response to Finding

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

May 1, 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.

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NORTHWESTERN SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH
INVESTMENT BALANCES - REGULATORY BASIS AND
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	\$ 192,266	\$ 10,820,239	\$ 10,652,794	\$ 17,847	\$ 377,558	\$ 11,453,017	\$ 10,869,985	\$ 1,037	\$ 961,627
Debt Service	1,549,688	3,030,722	2,811,026	(28,873)	1,740,511	2,857,932	2,705,474	-	1,892,969
Retirement/Severance Bond Debt Service	102,582	157,084	237,046	(1,993)	20,627	150,679	155,212	-	16,094
Capital Projects	517,312	2,195,032	2,044,921	-	667,423	2,117,775	2,398,412	-	386,786
School Transportation	393,573	1,383,737	1,156,529	(150,000)	470,781	1,382,552	1,316,070	(150,000)	387,263
School Bus Replacement	222,119	145,240	-	-	367,359	147,992	416,760	-	98,591
Rainy Day	893,786	-	65,888	147,609	975,507	-	70,608	150,000	1,054,899
Construction	30,281	-	25,005	32,081	37,357	-	8,955	119,000	147,402
School Lunch	362,395	753,731	776,427	-	339,699	664,472	802,846	-	201,325
Textbook Rental	125,147	216,028	102,718	-	238,457	249,173	285,195	-	202,435
Self-Insurance	7,064	-	-	-	7,064	-	-	-	7,064
Levy Excess	29,669	-	-	30,866	60,535	-	-	-	60,535
Educational License Plates	94	-	-	-	94	-	-	-	94
NW Boosters Fine Arts Donation	67	-	-	-	67	-	-	-	67
Teacher Quality Improvement Program	97	32,079	8,888	-	23,288	31,985	48,735	-	6,538
Computer Consortium/Ed Tech Advance	(10,896)	14,377	5,872	2,391	-	65,080	-	-	65,080
Indiana Arts Commission	900	-	-	-	900	-	-	-	900
Scholarships and Awards	12	-	-	-	12	-	-	-	12
Non-English Speaking Programs	4,749	-	-	-	4,749	-	-	-	4,749
School Technology	27,470	17,110	8,218	-	36,362	35,828	43,150	-	29,040
Career and Technical Performance Grant	-	-	-	-	-	4,637	-	-	4,637
Formative Assessment Grant	-	22,976	13,853	-	9,123	23,148	30,685	-	1,586
Summer of e-Learning Conference	-	5,100	13,300	-	(8,200)	950	(10,240)	-	2,990
Lilly Endowment Grant	-	-	-	-	-	22,660	4,240	-	18,420
Mentor Teacher	175	-	-	-	175	-	-	-	175
Senator David Ford Technology	-	-	-	-	-	-	20,955	-	(20,955)
Title I FY 2015	(11,102)	48,146	19,197	(17,847)	-	-	-	-	-
Title I FY 2016	-	133,434	147,465	-	(14,031)	7,711	(6,320)	-	-
Title I FY 2017	-	-	-	-	-	92,903	102,823	-	(9,920)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	88	-	-	-	88	-	-	-	88
Maintenance Vending	4,131	619	4,427	-	323	-	-	-	323
Other Federal Programs	-	-	-	-	-	-	7,168	-	(7,168)
Improving Teacher Quality, No Child Left, Title II, Part A	44,931	-	5,280	-	39,651	40,982	40,982	-	39,651
Title II - Summer of e-Learning	-	-	-	-	-	14,000	14,000	-	-
Prepaid Lunch	-	-	-	-	-	594,423	468,781	-	125,642
Clearing	525,011	11,030,330	11,191,149	-	364,192	10,585,793	10,942,036	-	7,949
Totals	\$ 5,011,609	\$ 30,005,984	\$ 29,290,003	\$ 32,081	\$ 5,759,671	\$ 30,543,692	\$ 30,736,512	\$ 120,037	\$ 5,686,888

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

NORTHWESTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

NORTHWESTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

Other receipts. Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

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

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

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

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

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Proceeds of long-term debt. Amounts received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

NORTHWESTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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 January 1, 2016 and January 1 in a year beginning after December 31, 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.

NORTHWESTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

NORTHWESTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the cost of operation exceeding receipts generated and the reimbursement of expenditures from a reimbursable grant not being received by year end.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with Northwestern School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2016 and 2017 totaled \$2,014,000 and \$2,014,000, respectively.

NORTHWESTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Events

The School Corporation approved a renovation project not to exceed \$5,500,000 collectively (renovation and improvement not to exceed \$1,000,000 to Northwestern Elementary School and \$5,000,000 to Northwestern High School and athletic complex) in December 2017. The renovation of and improvements are to Northwestern High School, including improvements to the athletic complex and site improvements, and the renovation of and improvement to Northwestern Elementary School. On March 8, 2018, the School Corporation entered into a Bond Purchase Agreement in the amount of \$5,160,000 for Ad Valorem Property Tax First Mortgage Bonds, Series 2018. Bids for the project are to be taken in the spring of 2018.

Note 10. Other Postemployment Benefits

The School Corporation provides severance benefits to eligible retirees. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://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.

NORTHWESTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction
Cash and investments - beginning	\$ 192,266	\$ 1,549,688	\$ 102,582	\$ 517,312	\$ 393,573	\$ 222,119	\$ 893,786	\$ 30,281
Receipts:								
Local sources	300,015	3,030,722	157,084	2,195,032	1,383,737	145,240	-	-
Intermediate sources	208	-	-	-	-	-	-	-
State sources	10,495,445	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	24,571	-	-	-	-	-	-	-
Total receipts	10,820,239	3,030,722	157,084	2,195,032	1,383,737	145,240	-	-
Disbursements:								
Instruction	7,210,137	-	-	-	-	-	-	-
Support services	3,158,918	-	-	1,468,845	1,156,529	-	14,513	25,005
Noninstructional services	282,916	-	-	-	-	-	-	-
Facilities acquisition and construction	823	-	-	576,076	-	-	51,375	-
Debt service	-	2,811,026	237,046	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	10,652,794	2,811,026	237,046	2,044,921	1,156,529	-	65,888	25,005
Excess (deficiency) of receipts over disbursements	167,445	219,696	(79,962)	150,111	227,208	145,240	(65,888)	(25,005)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	32,081
Transfers in	17,847	-	-	-	-	-	150,000	-
Transfers out	-	(28,873)	(1,993)	-	(150,000)	-	(2,391)	-
Total other financing sources (uses)	17,847	(28,873)	(1,993)	-	(150,000)	-	147,609	32,081
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	185,292	190,823	(81,955)	150,111	77,208	145,240	81,721	7,076
Cash and investments - ending	\$ 377,558	\$ 1,740,511	\$ 20,627	\$ 667,423	\$ 470,781	\$ 367,359	\$ 975,507	\$ 37,357

NORTHWESTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	NW Boosters Fine Arts Donation	Teacher Quality Improvement Program	Computer Consortium/ Ed Tech Advance
Cash and investments - beginning	\$ 362,395	\$ 125,147	\$ 7,064	\$ 29,669	\$ 94	\$ 67	\$ 97	\$ (10,896)
Receipts:								
Local sources	491,595	181,733	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	9,116	34,295	-	-	-	-	32,079	14,377
Federal sources	253,020	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>753,731</u>	<u>216,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,079</u>	<u>14,377</u>
Disbursements:								
Instruction	8,129	-	-	-	-	-	8,888	-
Support services	19,177	102,718	-	-	-	-	-	5,872
Noninstructional services	749,121	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>776,427</u>	<u>102,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,888</u>	<u>5,872</u>
Excess (deficiency) of receipts over disbursements	<u>(22,696)</u>	<u>113,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,191</u>	<u>8,505</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	30,866	-	-	-	2,391
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,391</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(22,696)</u>	<u>113,310</u>	<u>-</u>	<u>30,866</u>	<u>-</u>	<u>-</u>	<u>23,191</u>	<u>10,896</u>
Cash and investments - ending	<u>\$ 339,699</u>	<u>\$ 238,457</u>	<u>\$ 7,064</u>	<u>\$ 60,535</u>	<u>\$ 94</u>	<u>\$ 67</u>	<u>\$ 23,288</u>	<u>\$ -</u>

NORTHWESTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Indiana Arts Commission	Scholarships and Awards	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	Formative Assessment Grant	Summer of e-Learning Conference
Cash and investments - beginning	\$ 900	\$ 12	\$ 4,749	\$ 27,470	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	5,100
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	17,110	-	22,976	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	17,110	-	22,976	5,100
Disbursements:							
Instruction	-	-	-	-	-	13,853	-
Support services	-	-	-	8,218	-	-	13,300
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	8,218	-	13,853	13,300
Excess (deficiency) of receipts over disbursements	-	-	-	8,892	-	9,123	(8,200)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	8,892	-	9,123	(8,200)
Cash and investments - ending	\$ 900	\$ 12	\$ 4,749	\$ 36,362	\$ -	\$ 9,123	\$ (8,200)

NORTHWESTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Lily Endowment Grant	Mentor Teacher	Senator David Ford Technology	Title I FY 2015	Title I FY 2016	Title 1 FY 2017	(IDEA, Part B) LEA Capacity Building (Sliver) Grants
Cash and investments - beginning	\$ -	\$ 175	\$ -	\$ (11,102)	\$ -	\$ -	\$ 88
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	48,146	133,434	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	48,146	133,434	-	-
Disbursements:							
Instruction	-	-	-	17,023	147,465	-	-
Support services	-	-	-	2,174	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	19,197	147,465	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	28,949	(14,031)	-	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(17,847)	-	-	-
Total other financing sources (uses)	-	-	-	(17,847)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	11,102	(14,031)	-	-
Cash and investments - ending	\$ -	\$ 175	\$ -	\$ -	\$ (14,031)	\$ -	\$ 88

NORTHWESTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Maintenance Vending	Other Federal Programs	Improving Teacher Quality, No Child Left, Title II, Part A	Title II - Summer of e-Learning	Prepaid Lunch	Clearing	Totals
Cash and investments - beginning	\$ 4,131	\$ -	\$ 44,931	\$ -	\$ -	\$ 525,011	\$ 5,011,609
Receipts:							
Local sources	619	-	-	-	-	-	7,890,877
Intermediate sources	-	-	-	-	-	-	208
State sources	-	-	-	-	-	-	10,625,398
Federal sources	-	-	-	-	-	-	434,600
Other receipts	-	-	-	-	-	11,030,330	11,054,901
Total receipts	619	-	-	-	-	11,030,330	30,005,984
Disbursements:							
Instruction	4,019	-	5,280	-	-	-	7,414,794
Support services	408	-	-	-	-	-	5,975,677
Noninstructional services	-	-	-	-	-	-	1,032,037
Facilities acquisition and construction	-	-	-	-	-	-	628,274
Debt service	-	-	-	-	-	-	3,048,072
Nonprogrammed charges	-	-	-	-	-	11,191,149	11,191,149
Total disbursements	4,427	-	5,280	-	-	11,191,149	29,290,003
Excess (deficiency) of receipts over disbursements	(3,808)	-	(5,280)	-	-	(160,819)	715,981
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	32,081
Transfers in	-	-	-	-	-	-	201,104
Transfers out	-	-	-	-	-	-	(201,104)
Total other financing sources (uses)	-	-	-	-	-	-	32,081
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,808)	-	(5,280)	-	-	(160,819)	748,062
Cash and investments - ending	\$ 323	\$ -	\$ 39,651	\$ -	\$ -	\$ 364,192	\$ 5,759,671

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction
Cash and investments - beginning	\$ 377,558	\$ 1,740,511	\$ 20,627	\$ 667,423	\$ 470,781	\$ 367,359	\$ 975,507	\$ 37,357
Receipts:								
Local sources	483,235	2,857,932	150,679	2,117,775	1,382,552	147,992	-	-
Intermediate sources	264	-	-	-	-	-	-	-
State sources	10,969,518	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	11,453,017	2,857,932	150,679	2,117,775	1,382,552	147,992	-	-
Disbursements:								
Instruction	7,203,333	-	-	-	-	-	-	-
Support services	3,375,669	-	-	1,502,209	1,316,070	416,760	-	1,200
Noninstructional services	290,983	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	896,203	-	-	70,608	-
Debt service	-	2,705,474	155,212	-	-	-	-	7,755
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	10,869,985	2,705,474	155,212	2,398,412	1,316,070	416,760	70,608	8,955
Excess (deficiency) of receipts over disbursements	583,032	152,458	(4,533)	(280,637)	66,482	(268,768)	(70,608)	(8,955)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	119,000
Sale of capital assets	1,037	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	150,000	-
Transfers out	-	-	-	-	(150,000)	-	-	-
Total other financing sources (uses)	1,037	-	-	-	(150,000)	-	150,000	119,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	584,069	152,458	(4,533)	(280,637)	(83,518)	(268,768)	79,392	110,045
Cash and investments - ending	\$ 961,627	\$ 1,892,969	\$ 16,094	\$ 386,786	\$ 387,263	\$ 98,591	\$ 1,054,899	\$ 147,402

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

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	NW Boosters Fine Arts Donation	Teacher Quality Improvement Program	Computer Consortium/ Ed Tech Advance
Cash and investments - beginning	\$ 339,699	\$ 238,457	\$ 7,064	\$ 60,535	\$ 94	\$ 67	\$ 23,288	\$ -
Receipts:								
Local sources	435,500	218,647	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	9,588	30,526	-	-	-	-	31,985	65,080
Federal sources	218,664	-	-	-	-	-	-	-
Other receipts	720	-	-	-	-	-	-	-
Total receipts	664,472	249,173	-	-	-	-	31,985	65,080
Disbursements:								
Instruction	-	-	-	-	-	-	47,539	-
Support services	16,310	285,195	-	-	-	-	1,196	-
Noninstructional services	786,536	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	802,846	285,195	-	-	-	-	48,735	-
Excess (deficiency) of receipts over disbursements	(138,374)	(36,022)	-	-	-	-	(16,750)	65,080
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(138,374)	(36,022)	-	-	-	-	(16,750)	65,080
Cash and investments - ending	\$ 201,325	\$ 202,435	\$ 7,064	\$ 60,535	\$ 94	\$ 67	\$ 6,538	\$ 65,080

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

	Indiana Arts Commission	Scholarships and Awards	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	Formative Assessment Grant	Summer of e-Learning Conference
Cash and investments - beginning	\$ 900	\$ 12	\$ 4,749	\$ 36,362	\$ -	\$ 9,123	\$ (8,200)
Receipts:							
Local sources	-	-	-	-	-	-	950
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	35,828	2,246	23,148	-
Federal sources	-	-	-	-	2,391	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	35,828	4,637	23,148	950
Disbursements:							
Instruction	-	-	-	-	-	30,685	-
Support services	-	-	-	43,150	-	-	(10,240)
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	43,150	-	30,685	(10,240)
Excess (deficiency) of receipts over disbursements	-	-	-	(7,322)	4,637	(7,537)	11,190
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(7,322)	4,637	(7,537)	11,190
Cash and investments - ending	\$ 900	\$ 12	\$ 4,749	\$ 29,040	\$ 4,637	\$ 1,586	\$ 2,990

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

	Lilly Endowment Grant	Mentor Teacher	Senator David Ford Technology	Title I FY 2015	Title I FY 2016	Title I FY 2017	(IDEA, Part B) LEA Capacity Building (Sliver) Grants
Cash and investments - beginning	\$ -	\$ 175	\$ -	\$ -	\$ (14,031)	\$ -	\$ 88
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	22,660	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	7,711	92,903	-
Other receipts	-	-	-	-	-	-	-
Total receipts	22,660	-	-	-	7,711	92,903	-
Disbursements:							
Instruction	-	-	-	-	(6,320)	102,625	-
Support services	4,240	-	20,955	-	-	198	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	4,240	-	20,955	-	(6,320)	102,823	-
Excess (deficiency) of receipts over disbursements	18,420	-	(20,955)	-	14,031	(9,920)	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,420	-	(20,955)	-	14,031	(9,920)	-
Cash and investments - ending	\$ 18,420	\$ 175	\$ (20,955)	\$ -	\$ -	\$ (9,920)	\$ 88

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

	Maintenance Vending	Other Federal Programs	Improving Teacher Quality, No Child Left, Title II, Part A	Title II - Summer of e-Learning	Prepaid Lunch	Clearing	Totals
Cash and investments - beginning	\$ 323	\$ -	\$ 39,651	\$ -	\$ -	\$ 364,192	\$ 5,759,671
Receipts:							
Local sources	-	-	-	-	-	-	7,795,262
Intermediate sources	-	-	-	-	-	-	22,924
State sources	-	-	-	-	-	-	11,167,919
Federal sources	-	-	40,982	14,000	-	-	376,651
Other receipts	-	-	-	-	594,423	10,585,793	11,180,936
Total receipts	-	-	40,982	14,000	594,423	10,585,793	30,543,692
Disbursements:							
Instruction	-	-	40,982	-	-	-	7,418,844
Support services	-	7,168	-	14,000	-	-	6,994,080
Noninstructional services	-	-	-	-	-	-	1,077,519
Facilities acquisition and construction	-	-	-	-	-	-	966,811
Debt service	-	-	-	-	-	-	2,868,441
Nonprogrammed charges	-	-	-	-	468,781	10,942,036	11,410,817
Total disbursements	-	7,168	40,982	14,000	468,781	10,942,036	30,736,512
Excess (deficiency) of receipts over disbursements	-	(7,168)	-	-	125,642	(356,243)	(192,820)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	119,000
Sale of capital assets	-	-	-	-	-	-	1,037
Transfers in	-	-	-	-	-	-	150,000
Transfers out	-	-	-	-	-	-	(150,000)
Total other financing sources (uses)	-	-	-	-	-	-	120,037
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(7,168)	-	-	125,642	(356,243)	(72,783)
Cash and investments - ending	\$ 323	\$ (7,168)	\$ 39,651	\$ -	\$ 125,642	\$ 7,949	\$ 5,686,888

NORTHWESTERN SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Indiana Bond Bank	HVAC Renovations	\$ 277,426	7/1/2012	1/1/2024
Northwestern School Building Corporation	Renovations Lease	2,014,000	1/15/2014	7/15/2023
Crossroads Bank	Facility Construction	<u>254,000</u>	1/15/2013	7/15/2028
Total governmental activities		<u>2,545,426</u>		
Total of annual lease payments		<u>\$ 2,545,426</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Retirement/ Severance Bond	\$ 770,000	\$ 77,577
General obligation bonds	School Bonds	565,000	145,950
Notes and loans payable	Common School Loans	<u>171,305</u>	<u>38,911</u>
Total governmental activities		<u>1,506,305</u>	<u>262,438</u>
Totals		<u>\$ 1,506,305</u>	<u>\$ 262,438</u>

NORTHWESTERN SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2017

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 2,073,200
Infrastructure	105,000
Buildings	15,042,800
Improvements other than buildings	271,300
Machinery, equipment, and vehicles	2,865,248
Construction in progress	<u>2,200,000</u>
Total governmental activities	<u>22,557,548</u>
Total capital assets	<u>\$ 22,557,548</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 NORTHWESTERN SCHOOL
CORPORATION, HOWARD COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Northwestern 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. 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.

Opinion on the Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of July 1, 2015 to June 30, 2017.

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


Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

May 1, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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NORTHWESTERN SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 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	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
Department of Agriculture							
Child Nutrition Cluster	Indiana Department of Education						
School Breakfast Program		10.553	FY 15-16; FY 16-17	\$ -	\$ 22,263	\$ -	\$ 25,628
National School Lunch Program		10.555	FY 15-16; FY 16-17	-	210,757	-	195,920
National School Lunch Program - Commodities			FY 15-16; FY 16-17	-	30,381	-	43,901
Total - National School Lunch Program				-	241,138	-	239,821
Total - Child Nutrition Cluster				-	263,401	-	265,449
Child Nutrition Discretionary Grants Limited Availability		10.579	62610-59300	-	20,000	-	-
Total - Department of Agriculture				-	283,401	-	265,449
Department of Education							
Title I Grants to Local Educational Agencies	Indiana Department of Education						
		84.010	15-3470	-	48,145	-	-
		84.010	16-3470	-	133,434	-	7,710
		84.010	17-3470	-	-	-	92,903
Total - Title I to Local Educational Agencies				-	181,579	-	100,613
Special Education Cluster (IDEA)	Indiana Department of Education						
Special Education_Grants to States		84.027	14214-035-PN01	-	1,797	-	-
		84.027	14215-035-PN01	-	213,474	-	4,655
		84.027	14216-033-PN01	-	-	-	210,086
		84.027	14216-035-PN01	-	131,215	-	-
		84.027	14217-033-PN01	-	-	-	151,083
		84.027	99914-035-PN01	-	3,068	-	-
Total - Special Education_Grants to States				-	349,554	-	365,824
Special Education_Preschool Grants	Indiana Department of Education						
		84.173	45714-035-PN01	-	151	-	-
		84.173	45715-035-PN01	-	1,039	-	-
		84.173	45716-033-PN01	-	8,523	-	481
		84.173	45717-033-PN01	-	-	-	3,237
Total - Speical Education_Preschool Grants				-	9,713	-	3,718
Total - Special Education Cluster (IDEA)				-	359,267	-	369,542
Improving Teacher Quality State Grants	Indiana Department of Education						
		84.367	S367A150015	-	-	-	40,982
		84.367	A58-6-16CI-3579	-	-	-	14,000
Total - Improving Teacher Quality State Grants				-	-	-	54,982
Total - Department of Education				-	540,846	-	525,137
Total federal awards expended				\$ -	\$ 824,247	\$ -	\$ 790,586

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

NORTHWESTERN SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation 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*

The School Corporation is a member of Kokomo Area Special Education Cooperative (KASEC). As a result, the activity for the Special Education Cluster (IDEA) 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 KASEC, Western School Corporation.

NORTHWESTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	no

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>
Special Education Cluster (IDEA)	Unmodified

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2017-001

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

Repeat Finding

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

Condition

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

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

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 was the source for the SEFA. One employee prepared and submitted the grant information; however, the oversight or review process did not detect and correct errors prior to 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 School Breakfast Program was not included for the 2016 and 2017 fiscal school years by \$22,263 and \$25,628, respectively.
2. The National School Lunch Program did not include commodities for the 2016 fiscal school year for \$30,381. In addition, the School Breakfast Program for the 2017 fiscal year was included in the National School Lunch Program for \$22,744.
3. The Special Education Cluster (IDEA) for the 2017 fiscal school year was overstated by \$59,003.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

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

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

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

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

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. . . ."

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

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (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*.

NORTHWESTERN 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.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENTS

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



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

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

Description of Corrective Action Plan:

Due to SEFA being a relatively new requirement to complete and an insufficient familiarity with some of the required elements of the SEFA, procedures are now in place to report the correct expenditures. We are now aware that commodities are also to be reported under the National School Lunch Program as a non-cash federal expenditure and that will be correctly reported on the next SEFA when filing the Annual Financial Report.

Status: The action plan was implemented immediately following the prior audit with the 2016-17 SEFA filing. Due to the audit timing, the 2015-16 did not contain the commodities.

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

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

Description of Corrective Action Plan:

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

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

Status: The action plan was implemented prior to the previous audit.

FINDING 2015-003– ALLOWABLE COSTS/COST PRINCIPLES

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

Description of Corrective Action Plan:

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

The KASEC Director of Special Education Suzie Regale, believes this finding is reflective of an audit of the 2013-14 school year. All required time and effort documentation is currently maintained in accordance with federal requirements. Controls were in place for the 2014-15 school year and remain in place. This maintenance of documentation will be continued as required.

Status: The action plan was implemented prior to the previous audit.

FINDING 2015-004– CASH MANAGEMENT

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

Description of Corrective Action Plan:

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

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

Status: The action plan was implemented prior to the previous audit.

FINDING 2015-005– REPORTING

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

Description of Corrective Action Plan:

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

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

Status: The action plan was implemented prior to the previous audit.

FINDING 2015-006– ELIGIBILITY AND REPORTING



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

Description of Corrective Action Plan:

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

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

Status: The action plan was implemented immediately following the prior audit.

FINDING 2015-007– CASH MANAGEMENT

Contact Person Responsible for Corrective Action: Renee’ Hullinger, Food Service Director – now Hope Neuzerling, Food Service Director
Contact Phone Number: (765) 452-3060

Description of Corrective Action Plan:

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

In addition, by implementing the 8400 Fund – Prepaid Food Fund and applying a calculated percentage to personnel that are critical to the Food Service Department, the ongoing cash balance as continued to decline. As the plan indicated, the result is ongoing and could not be corrected within a short period of time. As shown in the Cash Balance Reports, the reported balance has decreased showing the plan effective.

Status: Ongoing

Jamie L. Shepherd
Business Manager, NWSC



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CORRECTIVE ACTION PLAN

FINDING 2017-001– PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Description of Corrective Action Plan:

Due to SEFA being a relatively new requirement to complete and an insufficient familiarity with some of the required elements of the SEFA, procedures are now in place to report the correct expenditures. In addition to the requirements, the date of the last audit overlapped the SEFA time period of the current audit which caused a repeat finding from the prior audit finding number 2015-001.

The School Breakfast Program was reported with the School Lunch Program line. This would show the School Breakfast Program understated and the School Lunch Program overstated. Future filings will have the programs entered separately. Commodities are now reported as a non-cash federal expenditure and was reported correctly for the 2017 school year.

After the SEFA is prepared, the LEA will review the information reported and sign off on the accuracy to ensure proper oversight or review process.

Anticipated Completion Date: Immediate

Jamie L. Shepherd
Business Manager
05/01/2018

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/>.