

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

NORTHERN WELLS COMMUNITY SCHOOLS  
WELLS COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
03/22/2019



## 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 .....	12-16
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	18-31
Schedule of Payables and Receivables .....	33
Schedule of Leases and Debt .....	34
Schedule of Capital Assets.....	35
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance .....	38-40
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	42-43
Notes to Schedule of Expenditures of Federal Awards .....	44
Schedule of Findings and Questioned Costs .....	45-50
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	52
Corrective Action Plan .....	53-54
Other Reports.....	55

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Deborah L. Adams	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Scott A. Mills	07-01-16 to 06-30-19
President of the School Board	R. Scott Elzey Angela K. Topp	01-01-16 to 12-31-18 01-01-19 to 12-31-19



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statement**

We have audited the accompanying financial statement of the Northern Wells Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, 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, 2016 to June 30, 2018.

***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, 2016 to June 30, 2018, 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, 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 February 6, 2019, 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 6, 2019



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Northern Wells Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated February 6, 2019, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 6, 2019

(This page intentionally left blank.)

## 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.

(This page intentionally left blank.)

NORTHERN WELLS COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 3,354,387	\$ 14,944,861	\$ 14,967,030	\$ 29,308	\$ 3,361,526	\$ 15,533,962	\$ 15,148,346	\$ 56,471	\$ 3,803,613
Debt Service	1,335,209	2,000,377	2,059,183	120,472	1,396,875	1,978,511	2,097,894	(2,325)	1,275,167
Retirement/Severance Bond Debt Service	228,859	360,072	362,132	-	226,799	369,176	364,227	(445)	231,303
Referendum Debt Exempt Capital	629,144	981,078	989,000	-	621,222	962,616	990,000	(1,167)	592,671
Capital Projects	1,213,699	2,219,495	2,554,061	136,529	1,015,662	2,459,673	2,427,500	(935)	1,046,900
School Transportation	1,019,271	1,234,206	1,327,218	80,078	1,006,337	1,292,237	1,509,460	(20,499)	768,615
School Bus Replacement	393,905	100,784	292,007	(162)	202,520	11,237	-	(15)	213,742
Rainy Day	273,629	-	-	-	273,629	-	-	-	273,629
School Lunch	(70,279)	887,809	927,924	-	(110,394)	877,022	801,728	-	(35,100)
Textbook Rental	520,921	362,328	246,836	-	636,413	653,982	639,418	-	650,977
Repair and Replacement	100,000	-	-	-	100,000	-	-	-	100,000
Levy Excess	-	-	-	-	-	-	-	5,368	5,368
Joint Services and Supply - Area Vocational School	-	18,107	18,107	-	-	19,275	19,275	-	-
Child Care Program	(13,642)	125,132	123,203	-	(11,713)	138,018	133,379	-	(7,074)
Educational License Plates	526	130	-	-	656	57	-	-	713
Alternative Education	-	9,801	9,801	-	-	9,138	9,138	-	-
Early Intervention Grant	-	12,465	12,465	-	-	11,804	-	-	11,804
Lilly Grant	-	30,000	13,756	-	16,244	-	-	-	16,244
Teacher Creativity Grant LEGOS	79	-	79	-	-	-	-	-	-
Teacher Creativity Grant	-	-	-	-	-	1,000	1,000	-	-
Teacher Creativity - Breakout EDU	-	-	-	-	-	275	275	-	-
Teacher Creativity-Robotics Program	-	-	-	-	-	5,628	-	-	5,628
School Lunch Donation	400	2,722	2,109	-	1,013	2,805	3,090	-	728
Wells County Soil & Water	225	800	988	-	37	800	837	-	-
Wetlands/OES Outdoor	-	500	-	-	500	-	100	-	400
CADA Grant - Drug Screening	1,399	1,502	1,361	-	1,540	2,043	1,540	-	2,043
Youth for Resource	-	-	-	-	-	350	350	-	-
Teacher of the Year - ALIG	500	-	194	-	306	-	73	-	233
Teacher of the Year	-	-	-	-	-	500	-	-	500
AWS Foundation Special Education	-	24,830	16,314	-	8,516	-	8,516	-	-
Extra-Curricular Activities	(455)	13,460	12,222	-	783	12,848	14,134	-	(503)
Transportation Extra-Curricular Salaries	(21,612)	23,636	30,630	-	(28,606)	9,418	152	20,018	678
Recreational Activities	2,566	3,900	8,834	-	(2,368)	2,632	2,165	1,370	(531)
CPR/AED and Lifeguard Training	3,968	-	142	-	3,826	-	-	(1,370)	2,456
Alternative School Technology Grant	365	-	175	-	190	-	15	-	175
Formative Assessment	4,436	20,356	24,792	-	-	21,095	21,095	-	-
Instruction Support	186	34,187	29,683	-	4,690	34,208	33,192	-	5,706
Medicaid Reimbursement	13,278	71,505	-	(28,312)	56,471	-	-	(56,471)	-
Secured Schools Safety Grant	(50,000)	75,864	25,864	-	-	-	-	-	-
Non-English Speaking Programs	5,065	7,928	8,290	-	4,703	9,751	10,419	-	4,035
School Technology	2,244	10,628	3,312	-	9,560	14,250	16,040	-	7,770
Career and Technical Performance Grant	-	15,253	5,777	(1,819)	7,657	9,848	8,931	-	8,574
Miscellaneous Programs	3,760	35,515	39,611	-	(336)	37,386	47,640	-	(10,590)
Reimbursement Fund for Flu Shots	1,996	696	664	-	2,028	-	2,028	-	-
Excess PTRC Distributions	-	336,917	-	(336,917)	-	-	-	-	-
Title I 2015-2016	(59,377)	59,377	-	-	-	-	-	-	-
Title I 2016-2017	-	213,826	245,837	-	(32,011)	61,803	29,792	-	-
Title I 2017-2018	-	-	-	-	-	227,046	254,932	-	(27,886)
Improving Teacher Quality, No Child Left, Title II, Part A	(2,977)	65,749	68,842	823	(5,247)	60,460	56,197	-	(984)
Title III	(1,604)	13,424	11,820	-	-	8,730	13,197	-	(4,467)
Clearing	(4,604)	3,818,025	3,816,862	-	(3,441)	3,723,530	3,632,720	-	87,369
Totals	\$ 8,885,467	\$ 28,137,245	\$ 28,257,125	\$ -	\$ 8,765,587	\$ 28,563,114	\$ 28,298,795	\$ -	\$ 9,029,906

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

NORTHERN WELLS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

School Corporation, as used herein, shall include, but is not limited to, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation.

**B. Basis of Accounting**

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

**C. Cash and Investments**

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

**D. Receipts**

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

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

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

NORTHERN WELLS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

**E. Disbursements**

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

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

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

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

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

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

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

**F. Other Financing Sources and Uses**

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

*Transfers in.* Amounts received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

*Transfers out.* Amounts paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

NORTHERN WELLS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

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

NORTHERN WELLS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

NORTHERN WELLS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. Some are a result of reimbursable grants that have made expenditures but have not yet been reimbursed from the grant and others are a result of disbursing more funds than what were received.

**Note 8. Holding Corporation**

The School Corporation has entered into capital leases with Northern Wells Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years 2016-2017 and 2017-2018 totaled \$2,997,603 and \$2,998,649, 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.

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	General	Debt Service	Retirement/ Severance Bond Debt Service	Referendum Debt Exempt Capital	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 3,354,387	\$ 1,335,209	\$ 228,859	\$ 629,144	\$ 1,213,699	\$ 1,019,271	\$ 393,905	\$ 273,629
Receipts:								
Local sources	125,794	2,000,377	360,072	981,078	2,210,805	1,229,793	11,307	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	14,819,029	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	38	-	-	-	8,690	4,413	89,477	-
Total receipts	14,944,861	2,000,377	360,072	981,078	2,219,495	1,234,206	100,784	-
Disbursements:								
Instruction	10,120,786	-	-	-	-	-	-	-
Support services	4,529,198	-	-	-	1,736,661	1,327,218	292,007	-
Noninstructional services	317,046	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	817,400	-	-	-
Debt service	-	2,059,183	362,132	989,000	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	14,967,030	2,059,183	362,132	989,000	2,554,061	1,327,218	292,007	-
Excess (deficiency) of receipts over disbursements	(22,169)	(58,806)	(2,060)	(7,922)	(334,566)	(93,012)	(191,223)	-
Other financing sources (uses):								
Transfers in	30,131	120,472	-	-	136,529	80,078	1,399	-
Transfers out	(823)	-	-	-	-	-	(1,561)	-
Total other financing sources (uses)	29,308	120,472	-	-	136,529	80,078	(162)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,139	61,666	(2,060)	(7,922)	(198,037)	(12,934)	(191,385)	-
Cash and investments - ending	\$ 3,361,526	\$ 1,396,875	\$ 226,799	\$ 621,222	\$ 1,015,662	\$ 1,006,337	\$ 202,520	\$ 273,629

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	School Lunch	Textbook Rental	Repair and Replacement	Levy Excess	Joint Services and Supply - Area Vocational School	Child Care Program	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ (70,279)	\$ 520,921	\$ 100,000	\$ -	\$ -	\$ (13,642)	\$ 526	\$ -
Receipts:								
Local sources	518,644	305,276	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	130	-
State sources	13,713	56,971	-	-	-	125,132	-	9,801
Federal sources	353,974	-	-	-	18,107	-	-	-
Other	1,478	81	-	-	-	-	-	-
Total receipts	887,809	362,328	-	-	18,107	125,132	130	9,801
Disbursements:								
Instruction	-	-	-	-	18,107	-	-	9,801
Support services	1,848	246,836	-	-	-	-	-	-
Noninstructional services	926,076	-	-	-	-	123,203	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	927,924	246,836	-	-	18,107	123,203	-	9,801
Excess (deficiency) of receipts over disbursements	(40,115)	115,492	-	-	-	1,929	130	-
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	(40,115)	115,492	-	-	-	1,929	130	-
Cash and investments - ending	\$ (110,394)	\$ 636,413	\$ 100,000	\$ -	\$ -	\$ (11,713)	\$ 656	\$ -

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Early Intervention Grant	Lilly Grant	Teacher Creativity Grant LEGOS	Teacher Creativity Grant	Teacher Creativity - Breakout EDU	Teacher Creativity -Robotics Program	School Lunch Donation	Wells County Soil & Water
Cash and investments - beginning	\$ -	\$ -	\$ 79	\$ -	\$ -	\$ -	\$ 400	\$ 225
Receipts:								
Local sources	-	30,000	-	-	-	-	2,722	800
Intermediate sources	-	-	-	-	-	-	-	-
State sources	12,465	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	12,465	30,000	-	-	-	-	2,722	800
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	12,465	13,756	79	-	-	-	2,109	988
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	12,465	13,756	79	-	-	-	2,109	988
Excess (deficiency) of receipts over disbursements	-	16,244	(79)	-	-	-	613	(188)
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	-	16,244	(79)	-	-	-	613	(188)
Cash and investments - ending	\$ -	\$ 16,244	\$ -	\$ -	\$ -	\$ -	\$ 1,013	\$ 37

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Wetlands/OES Outdoor	CADA Grant - Drug Screening	Youth for Resource	Teacher of the Year - ALIG	Teacher of the Year	AWS Foundation Special Education	Extra- Curricular Activities
Cash and investments - beginning	\$ -	\$ 1,399	\$ -	\$ 500	\$ -	\$ -	\$ (455)
Receipts:							
Local sources	500	1,502	-	-	-	24,830	13,460
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	500	1,502	-	-	-	24,830	13,460
Disbursements:							
Instruction	-	-	-	-	-	16,314	-
Support services	-	1,361	-	194	-	-	12,222
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	1,361	-	194	-	16,314	12,222
Excess (deficiency) of receipts over disbursements	500	141	-	(194)	-	8,516	1,238
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	500	141	-	(194)	-	8,516	1,238
Cash and investments - ending	\$ 500	\$ 1,540	\$ -	\$ 306	\$ -	\$ 8,516	\$ 783

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Transportation Extra-Curricular Salaries	Recreational Activities	CPR/AED and Lifeguard Training	Alternative School Technology Grant	Formative Assessment	Instruction Support	Medicaid Reimbursement
Cash and investments - beginning	\$ (21,612)	\$ 2,566	\$ 3,968	\$ 365	\$ 4,436	\$ 186	\$ 13,278
Receipts:							
Local sources	23,636	3,900	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	20,356	34,187	71,505
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	23,636	3,900	-	-	20,356	34,187	71,505
Disbursements:							
Instruction	-	-	-	-	-	29,683	-
Support services	30,630	8,834	-	175	24,792	-	-
Noninstructional services	-	-	142	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	30,630	8,834	142	175	24,792	29,683	-
Excess (deficiency) of receipts over disbursements	(6,994)	(4,934)	(142)	(175)	(4,436)	4,504	71,505
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(28,312)
Total other financing sources (uses)	-	-	-	-	-	-	(28,312)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,994)	(4,934)	(142)	(175)	(4,436)	4,504	43,193
Cash and investments - ending	\$ (28,606)	\$ (2,368)	\$ 3,826	\$ 190	\$ -	\$ 4,690	\$ 56,471

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	Miscellaneous Programs	Reimbursement Fund for Flu Shots	Excess PTRC Distributions
Cash and investments - beginning	\$ (50,000)	\$ 5,065	\$ 2,244	\$ -	\$ 3,760	\$ 1,996	\$ -
Receipts:							
Local sources	-	-	-	-	35,515	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	75,864	7,928	10,628	15,253	-	-	336,917
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	696	-
Total receipts	<u>75,864</u>	<u>7,928</u>	<u>10,628</u>	<u>15,253</u>	<u>35,515</u>	<u>696</u>	<u>336,917</u>
Disbursements:							
Instruction	-	-	-	-	12,881	-	-
Support services	25,864	8,290	3,312	5,777	40	664	-
Noninstructional services	-	-	-	-	26,690	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>25,864</u>	<u>8,290</u>	<u>3,312</u>	<u>5,777</u>	<u>39,611</u>	<u>664</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>50,000</u>	<u>(362)</u>	<u>7,316</u>	<u>9,476</u>	<u>(4,096)</u>	<u>32</u>	<u>336,917</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(1,819)	-	-	(336,917)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,819)</u>	<u>-</u>	<u>-</u>	<u>(336,917)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>50,000</u>	<u>(362)</u>	<u>7,316</u>	<u>7,657</u>	<u>(4,096)</u>	<u>32</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 4,703</u>	<u>\$ 9,560</u>	<u>\$ 7,657</u>	<u>\$ (336)</u>	<u>\$ 2,028</u>	<u>\$ -</u>

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Title I 2015-2016	Title I 2016-2017	Title I 2017-2018	Improving Teacher Quality, No Child Left, Title II, Part A	Title III	Clearing	Totals
Cash and investments - beginning	\$ (59,377)	\$ -	\$ -	\$ (2,977)	\$ (1,604)	\$ (4,604)	\$ 8,885,467
Receipts:							
Local sources	-	-	-	-	-	-	7,880,011
Intermediate sources	-	-	-	-	-	-	130
State sources	-	-	-	-	13,424	-	15,623,173
Federal sources	59,377	213,826	-	65,749	-	-	711,033
Other	-	-	-	-	-	3,818,025	3,922,898
Total receipts	59,377	213,826	-	65,749	13,424	3,818,025	28,137,245
Disbursements:							
Instruction	-	183,294	-	-	-	-	10,390,866
Support services	-	62,347	-	68,842	11,820	-	8,428,329
Noninstructional services	-	196	-	-	-	-	1,393,353
Facilities acquisition and construction	-	-	-	-	-	-	817,400
Debt service	-	-	-	-	-	-	3,410,315
Nonprogrammed charges	-	-	-	-	-	3,816,862	3,816,862
Total disbursements	-	245,837	-	68,842	11,820	3,816,862	28,257,125
Excess (deficiency) of receipts over disbursements	59,377	(32,011)	-	(3,093)	1,604	1,163	(119,880)
Other financing sources (uses):							
Transfers in	-	-	-	823	-	-	369,432
Transfers out	-	-	-	-	-	-	(369,432)
Total other financing sources (uses)	-	-	-	823	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	59,377	(32,011)	-	(2,270)	1,604	1,163	(119,880)
Cash and investments - ending	\$ -	\$ (32,011)	\$ -	\$ (5,247)	\$ -	\$ (3,441)	\$ 8,765,587

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	General	Debt Service	Retirement/ Severance Bond Debt Service	Referendum Debt Exempt Capital	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 3,361,526	\$ 1,396,875	\$ 226,799	\$ 621,222	\$ 1,015,662	\$ 1,006,337	\$ 202,520	\$ 273,629
Receipts:								
Local sources	184,114	1,978,345	369,176	962,616	2,421,854	1,292,237	10,238	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	15,346,098	-	-	-	-	-	-	-
Federal sources	-	-	-	-	34,416	-	-	-
Other	3,750	166	-	-	3,403	-	999	-
Total receipts	15,533,962	1,978,511	369,176	962,616	2,459,673	1,292,237	11,237	-
Disbursements:								
Instruction	10,271,702	-	-	-	-	-	-	-
Support services	4,548,701	88,488	-	-	1,675,037	1,509,460	-	-
Noninstructional services	327,943	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	752,463	-	-	-
Debt service	-	2,009,406	364,227	990,000	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	15,148,346	2,097,894	364,227	990,000	2,427,500	1,509,460	-	-
Excess (deficiency) of receipts over disbursements	385,616	(119,383)	4,949	(27,384)	32,173	(217,223)	11,237	-
Other financing sources (uses):								
Transfers in	56,471	-	-	-	-	-	-	-
Transfers out	-	(2,325)	(445)	(1,167)	(935)	(20,499)	(15)	-
Total other financing sources (uses)	56,471	(2,325)	(445)	(1,167)	(935)	(20,499)	(15)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	442,087	(121,708)	4,504	(28,551)	31,238	(237,722)	11,222	-
Cash and investments - ending	\$ 3,803,613	\$ 1,275,167	\$ 231,303	\$ 592,671	\$ 1,046,900	\$ 768,615	\$ 213,742	\$ 273,629

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	School Lunch	Textbook Rental	Repair and Replacement	Levy Excess	Joint Services and Supply - Area Vocational School	Child Care Program	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ (110,394)	\$ 636,413	\$ 100,000	\$ -	\$ -	\$ (11,713)	\$ 656	\$ -
Receipts:								
Local sources	507,069	509,699	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	57	-
State sources	12,993	144,283	-	-	-	138,018	-	9,138
Federal sources	356,141	-	-	-	19,275	-	-	-
Other	819	-	-	-	-	-	-	-
Total receipts	877,022	653,982	-	-	19,275	138,018	57	9,138
Disbursements:								
Instruction	-	-	-	-	19,275	-	-	9,138
Support services	1,340	639,418	-	-	-	-	-	-
Noninstructional services	800,388	-	-	-	-	133,379	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	801,728	639,418	-	-	19,275	133,379	-	9,138
Excess (deficiency) of receipts over disbursements	75,294	14,564	-	-	-	4,639	57	-
Other financing sources (uses):								
Transfers in	-	-	-	5,368	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	5,368	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	75,294	14,564	-	5,368	-	4,639	57	-
Cash and investments - ending	\$ (35,100)	\$ 650,977	\$ 100,000	\$ 5,368	\$ -	\$ (7,074)	\$ 713	\$ -

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Early Intervention Grant	Lilly Grant	Teacher Creativity Grant LEGOS	Teacher Creativity Grant	Teacher Creativity - Breakout EDU	Teacher Creativity -Robotics Program	School Lunch Donation	Wells County Soil & Water
Cash and investments - beginning	\$ -	\$ 16,244	\$ -	\$ -	\$ -	\$ -	\$ 1,013	\$ 37
Receipts:								
Local sources	-	-	-	1,000	275	5,628	2,805	800
Intermediate sources	-	-	-	-	-	-	-	-
State sources	11,804	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	11,804	-	-	1,000	275	5,628	2,805	800
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	1,000	275	-	3,090	837
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	1,000	275	-	3,090	837
Excess (deficiency) of receipts over disbursements	11,804	-	-	-	-	5,628	(285)	(37)
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	11,804	-	-	-	-	5,628	(285)	(37)
Cash and investments - ending	\$ 11,804	\$ 16,244	\$ -	\$ -	\$ -	\$ 5,628	\$ 728	\$ -

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Wetlands/OES Outdoor	CADA Grant - Drug Screening	Youth for Resource	Teacher of the Year - ALIG	Teacher of the Year	AWS Foundation Special Education	Extra- Curricular Activities
Cash and investments - beginning	\$ 500	\$ 1,540	\$ -	\$ 306	\$ -	\$ 8,516	\$ 783
Receipts:							
Local sources	-	2,043	350	-	500	-	12,848
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	2,043	350	-	500	-	12,848
Disbursements:							
Instruction	-	-	-	-	-	8,516	-
Support services	100	1,540	-	73	-	-	14,134
Noninstructional services	-	-	350	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	100	1,540	350	73	-	8,516	14,134
Excess (deficiency) of receipts over disbursements	(100)	503	-	(73)	500	(8,516)	(1,286)
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)	503	-	(73)	500	(8,516)	(1,286)
Cash and investments - ending	\$ 400	\$ 2,043	\$ -	\$ 233	\$ 500	\$ -	\$ (503)

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Transportation Extra-Curricular Salaries	Recreational Activities	CPR/AED and Lifeguard Training	Alternative School Technology Grant	Formative Assessment	Instruction Support	Medicaid Reimbursement
Cash and investments - beginning	\$ (28,606)	\$ (2,368)	\$ 3,826	\$ 190	\$ -	\$ 4,690	\$ 56,471
Receipts:							
Local sources	9,418	2,632	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	21,095	34,208	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	9,418	2,632	-	-	21,095	34,208	-
Disbursements:							
Instruction	-	-	-	-	-	33,192	-
Support services	152	2,165	-	15	21,095	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	152	2,165	-	15	21,095	33,192	-
Excess (deficiency) of receipts over disbursements	9,266	467	-	(15)	-	1,016	-
Other financing sources (uses):							
Transfers in	20,018	1,370	-	-	-	-	-
Transfers out	-	-	(1,370)	-	-	-	(56,471)
Total other financing sources (uses)	20,018	1,370	(1,370)	-	-	-	(56,471)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	29,284	1,837	(1,370)	(15)	-	1,016	(56,471)
Cash and investments - ending	\$ 678	\$ (531)	\$ 2,456	\$ 175	\$ -	\$ 5,706	\$ -

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	Miscellaneous Programs	Reimbursement Fund for Flu Shots	Excess PTRC Distributions
Cash and investments - beginning	\$ -	\$ 4,703	\$ 9,560	\$ 7,657	\$ (336)	\$ 2,028	\$ -
Receipts:							
Local sources	-	-	-	-	37,386	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	9,751	14,250	9,848	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	9,751	14,250	9,848	37,386	-	-
Disbursements:							
Instruction	-	-	-	-	14,047	-	-
Support services	-	8,848	16,040	8,931	215	2,028	-
Noninstructional services	-	1,571	-	-	33,378	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	10,419	16,040	8,931	47,640	2,028	-
Excess (deficiency) of receipts over disbursements	-	(668)	(1,790)	917	(10,254)	(2,028)	-
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	-	(668)	(1,790)	917	(10,254)	(2,028)	-
Cash and investments - ending	\$ -	\$ 4,035	\$ 7,770	\$ 8,574	\$ (10,590)	\$ -	\$ -

NORTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Title I 2015-2016	Title I 2016-2017	Title I 2017-2018	Improving Teacher Quality, No Child Left, Title II, Part A	Title III	Clearing	Totals
Cash and investments - beginning	\$ -	\$ (32,011)	\$ -	\$ (5,247)	\$ -	\$ (3,441)	\$ 8,765,587
Receipts:							
Local sources	-	-	-	-	-	-	8,311,033
Intermediate sources	-	-	-	-	-	-	57
State sources	-	-	-	-	8,730	-	15,760,216
Federal sources	-	61,803	227,046	60,460	-	-	759,141
Other	-	-	-	-	-	3,723,530	3,732,667
Total receipts	-	61,803	227,046	60,460	8,730	3,723,530	28,563,114
Disbursements:							
Instruction	-	17,233	170,423	-	-	-	10,543,526
Support services	-	12,559	84,310	56,197	13,197	-	8,709,245
Noninstructional services	-	-	199	-	-	-	1,297,208
Facilities acquisition and construction	-	-	-	-	-	-	752,463
Debt service	-	-	-	-	-	-	3,363,633
Nonprogrammed charges	-	-	-	-	-	3,632,720	3,632,720
Total disbursements	-	29,792	254,932	56,197	13,197	3,632,720	28,298,795
Excess (deficiency) of receipts over disbursements	-	32,011	(27,886)	4,263	(4,467)	90,810	264,319
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	83,227
Transfers out	-	-	-	-	-	-	(83,227)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	32,011	(27,886)	4,263	(4,467)	90,810	264,319
Cash and investments - ending	\$ -	\$ -	\$ (27,886)	\$ (984)	\$ (4,467)	\$ 87,369	\$ 9,029,906

(This page intentionally left blank.)

NORTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 1,238,652</u>	<u>\$ 78,866</u>

NORTHERN WELLS COMMUNITY SCHOOLS  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Allen Business Machines	Copy Machines	\$ 6,228	8/23/2016	7/30/2021
Apple Inc.	iPad Wi-Fi 32GB	339,515	7/2/2014	1/1/2021
De Lage Landen Public Financing	Copy Machines	2,338	7/17/2013	8/30/2018
Northern Wells Community School Building Corporation	HS Renovation Lease	990,000	1/9/2013	7/15/2029
Northern Wells Community School Building Corporation	Lancaster Building Lease	1,874,000	4/26/2007	6/30/2023
Northern Wells Community School Building Corporation	QSCB Lease	<u>150,247</u>	12/9/2010	1/1/2026
Total of annual lease payments		<u>\$ 3,362,328</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Bond-School Severance 2013 Refunding Bonds Series 4 through Series 7	<u>\$ 544,667</u>	<u>\$ 364,887</u>

NORTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2018

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 183,444
Buildings	49,769,953
Improvements other than buildings	5,938,994
Machinery, equipment, and vehicles	<u>8,041,532</u>
Total capital assets	<u>\$ 63,933,923</u>

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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

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

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

We have audited the Northern Wells Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with 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 each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

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

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018.

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002 and 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 2018-001, 2018-002, and 2018-003, that we consider to be material weaknesses.

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

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

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 6, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

NORTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program							
Indiana Department of Education							
10.553							
School Breakfast							
School Breakfast							
FY 2016-17 \$ - \$ 26,376 \$ - \$ -							
FY 2017-18 - - - - 31,952							
Total - School Breakfast Program - 26,376 - 31,952							
National School Lunch Program							
Indiana Department of Education							
10.555							
School Lunch							
School Lunch							
School Lunch Commodities							
School Lunch Commodities							
FY 2016-17 - 327,598 - -							
FY 2017-18 - - - 324,189							
FY 2016-17 - 76,730 - -							
FY 2017-18 - - - 93,438							
Total - National School Lunch Program - 404,328 - 417,627							
Total - Child Nutrition Cluster - 430,704 - 449,579							
Total - Department of Agriculture - 430,704 - 449,579							
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Indiana Department of Education							
84.027							
Special Education							
14216-001-PN01 - 228,242 - -							
14217-001-PN01 - 225,411 - 299,384							
18611-001-PN01 - - - 133,969							
Total - Special Education Grants to States - 453,653 - 433,353							
Special Education Preschool Grants							
Indiana Department of Education							
84.173							
Special Education							
45716-001-PN01 - 1,687 - -							
45717-001-PN01 - 13,671 - -							
18619-001-PN01 - - - 10,337							
Total - Special Education Preschool Grants - 15,358 - 10,337							
Total - Special Education Cluster (IDEA) - 469,011 - 443,690							

NORTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Title I Grants to Local Educational Agencies Title I	Indiana Department of Education	84.010	16-8435	-	59,457	-	-
			17-8435	-	213,743	-	61,800
			18-8435	-	-	-	227,046
Total - Title I Grants to Local Educational Agencies				-	273,200	-	288,846
Career and Technical Education -- Basic Grants to States Career and Technical Education	Indiana Department of Education	84.048	17-4700-8445	-	18,107	-	-
			18-4700-8445	-	-	-	19,275
Total - Career and Technical Education -- Basic Grants to States				-	18,107	-	19,275
English Language Acquisition State Grants English Language Acquisition	Indiana Department of Education	84.365	01116-120-PN01	-	6,940	-	4,666
			01117-210-PN01	-	6,482	-	4,064
Total - English Language Acquisition State Grants				-	13,422	-	8,730
Supporting Effective Instruction State Grants Supporting Effective Instruction	Indiana Department of Education	84.367	S367A140013	-	3,364	-	-
			S367A150015	-	60,592	-	-
			S367A160013	-	1,787	-	56,537
			S367A170013	-	-	-	3,923
Total - Supporting Effective Instruction State Grants				-	65,743	-	60,460
Total - Department of Education				-	839,483	-	821,001
Total federal awards expended				\$ -	\$ 1,270,187	\$ -	\$ 1,270,580

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

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

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2017 and 2018. 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 the Adams Wells Special Services Cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

NORTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency 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 Programs and type of auditor's report issued on compliance for each:

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

**Section II - Financial Statement Findings**

No matters are reportable.

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

**FINDING 2018-001**

Subject: Special Education Cluster (IDEA) - Reporting  
 Federal Agency: Department of Education  
 Federal Programs: Special Education Grants to States, Special Education Preschool Grants  
 CFDA Numbers: 84.027, 84.173  
 Federal Award Numbers and Years (or Other Identifying Numbers): 14216-001-PN01, 14217-001-PN01, 45716-001-PN01, 45717-001-PN01

Pass-Through Entity: Indiana Department of Education  
 Compliance Requirement: Reporting  
 Audit Finding: Material Weakness

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

*Condition*

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

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement for the fiscal year 2016-2017.

*Context*

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

The reported proportionate share expenditures could not be verified on the Quarterly Proportionate Share Monitoring Reports for Non-Public Schools presented for the audit. Per inquiry of the Cooperative Director, the reported expenditures were calculated by multiplying the applicable monthly reimbursed expenditures by the nonpublic school usage percentage, which was calculated based on a time study conducted annually by the Cooperative Director. We requested a copy of the time study; however, it was not available for audit for the fiscal year 2016-2017.

The lack of controls was isolated to fiscal year 2016-2017.

*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*

Management had not designed or implemented a system of internal control for the Reporting compliance requirement.

NORTHERN WELLS COMMUNITY SCHOOLS  
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 Reporting compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2018-002**

Subject: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-17, FY 2017-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Other Matters

*Condition*

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

The School Corporation established a single fund, the School Lunch fund, to account for all activity of the food service program. The School Corporation also maintained prepaid accounts for students. When prepaid funds were received, they were receipted with the program income into the School Lunch fund as revenue. Therefore, prepaid amounts were reported as program income before meals were charged to the accounts.

*Context*

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

NORTHERN WELLS COMMUNITY SCHOOLS  
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). . . ."

7 CFR 210.14(c) states:

*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by documentation."

*Cause*

Management had not developed a system of internal controls that would have ensured that prepaid receipts and program income receipts were segregated.

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

*Effect*

The failure to establish a system of internal controls that would have ensured that prepaid receipts and program income receipts were segregated enabled noncompliance to remain undetected. The failure to comply with the Program Income 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's management establish controls to ensure compliance with the grant agreement the Program Income 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 2018-003**

Subject: Child Nutrition Cluster - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-17, FY 2017-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Findings: Material Weakness, Other Matters

*Condition*

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

The School Corporation selected and verified the required applications of approved free and reduced price applications; however, two of the four verified applications selected for testing during the 2016-2017 and 2017-2018 school years were not appropriately changed from reduced to denied eligibility. The income information entered was not correctly entered into the system, so the applicants remained eligible for reduced price lunches in error.

*Context*

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

NORTHERN WELLS COMMUNITY SCHOOLS  
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). . . ."

7 CFR 245.6a states in part:

". . . (f) *Verification procedures and assistance for households* . . .

(7) *Eligibility changes.* Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Households with reduced benefits or that are longer eligible for free or reduced price meals must be notified of their right to reapply at any time with documentation of income or participation in one of the eligible programs in paragraph (a)(1) of this section. . . ."

*Cause*

Management had not developed a system of internal controls that ensured compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

*Effect*

The failure to establish internal controls enabled noncompliance to remain undetected. The failure to comply with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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's management establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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

# Northern Wells Community Schools

312 North Jefferson Street,  
Ossian, IN 46777

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

*Dr. Scott Mills, Superintendent*

---

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDINGS:** 2016-001 Preparation of the Schedule of Expenditures of Federal Awards  
2016-002 Special Education Cluster-Matching. Level of Effort, Earmarking and Reporting

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: Indiana Department of Education  
Contact Person for Corrective Action: Deborah Adams  
Contact Phone Number: 260-622-4125 ext 1008

### **Status of Audit Findings:**

- 2016-001** Northern Wells Community Schools has created instructions detailing how to complete the Federal Awards Report (SEFA) accurately. The Treasurer executes the reports and the Deputy Treasurer reviews and signs off. The Treasurer completes the Gateway reporting for submission prior to the due date.
- 2016-002** Northern Wells Community Schools reviews (initial and date) the Quarterly Proportionate Share Monitoring Reports for Non-Public Schools prepared by Adams Wells Cooperative, along with the supporting documentation. After review, we advise Adams Wells any relative comments and approve Northern Wells Community Schools' portion of the report for submittal to the State.

  
\_\_\_\_\_  
Treasurer

January 07, 2019  
Date

# Northern Wells Community Schools

312 North Jefferson Street,  
Ossian, IN 46777

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

*Dr. Scott Mills, Superintendent*

---

## **CORRECTIVE ACTION PLAN** **AUDIT PERIOD: JULY 1, 2016 – JUNE 30, 2018**

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

### **FINDING 2018-001**

Northern Wells Community Schools will continue to review (initial and date) the Quarterly Proportionate Share Monitoring Reports for Non-Public Schools prepared by Adams Wells Cooperative, along with the supporting documentation. After review, we will continue to advise Adams Wells of any relative comments and approve Northern Wells Community Schools' portion of the report for submittal to the State. This finding was addressed previously as a result of the audit completed in the Fall of 2017, and the corrective action already put in place.

Anticipated Completion Date: December 31, 2017

### **FINDING 2018-002**

Northern Wells Community Schools has implemented a procedure in which prepaid lunches are placed in a clearing account until such time the student purchases a lunch with those funds. This will separate the prepaid funds from the School Lunch program income. We implemented this procedure effective with the 2018-19 school year. We also will disburse the funds that were prepaid funds at the end of the 2017-18 school year into the prepaid clearing account to properly show the separation. This will be done as of the January 31, 2019 fund statement and will be disbursed in February 2019 into the proper account. The correct prepaid parent/student clearing account will be firmly established as of January 31, 2019.

Anticipated Completion Date: February 28, 2019

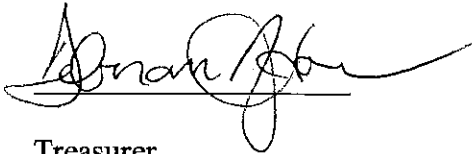
### **FINDING 2018-003**

Northern Wells Community Schools will establish and maintain effective internal controls over eligibility determinations for free and reduced applications.

- Phase 1: Northern Wells Community Schools will implement a procedure in which each Free and Reduced Application will be in compliance with Federal guidelines, signed and dated accordingly by the preparer and the reviewer.

- Phase 2: Northern Wells Community Schools will send employees to a Verification Training Workshop and Food Service Directors Certification Program Workshop to ensure all applications are in compliance with the Federal requirements.

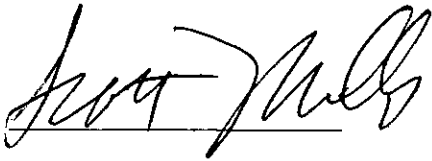
Anticipated Completion Date: Phase 1 - January 31, 2019  
Phase 2 – August 31, 2019



Treasurer

2/5/2019

Date



Superintendent

2-5-19

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/>.