

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

WESTERN SCHOOL CORPORATION
HOWARD COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/13/2019

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	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-31
Schedule of Leases and Debt	33
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	36-38
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	41
Notes to Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs	43-46
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	48-51
Corrective Action Plan	52-53
Other Reports.....	54

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pam Carter Brook Cleaver	07-01-16 to 06-30-18 07-01-18 to 06-30-19
Superintendent of Schools	Randy McCracken	07-01-16 to 06-30-19
President of the School Board	J. Conrad Maugans Linda Singer Scott Gaskins	01-01-16 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Western School Corporation (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 and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 10, 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

April 10, 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

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 WESTERN 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 Western School Corporation (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 April 10, 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

April 10, 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.)

WESTERN SCHOOL CORPORATION
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	\$ 3,806,973	\$ 16,563,679	\$ 16,225,144	\$ 281,050	\$ 4,426,558	\$ 16,864,956	\$ 16,516,526	\$ 191,817	\$ 4,966,805
Debt Service	1,184,273	3,067,773	2,651,604	(79,542)	1,520,900	2,777,345	2,676,963	(120,513)	1,500,769
Retirement/Severance Bond Debt Service	141,163	248,882	240,707	-	149,338	204,392	242,617	-	111,113
Capital Projects	136,050	1,290,857	1,433,113	828	(5,378)	1,281,644	1,262,233	200,161	214,194
School Transportation	271,351	987,095	951,852	-	306,594	1,085,092	928,728	15,969	478,927
School Bus Replacement	(20,566)	141,711	219,662	2,738	(95,779)	253,014	119,709	(2,738)	34,788
Rainy Day	1,709,657	8,920	698,233	(2,486)	1,017,858	218,982	235,189	(186,675)	814,976
Project 1 - 1.9 Million	158,106	-	137,441	-	20,665	-	20,665	-	-
Project 2/\$2,000,000	(70,610)	517,985	370,976	-	76,399	-	76,399	-	-
Project 3/\$2,000,000	(9,085)	7,195	(24,327)	-	22,437	-	22,437	-	-
School Lunch	283,509	1,204,216	1,113,150	106	374,681	1,070,774	1,083,807	20	361,668
Textbook Rental	143,304	370,080	592,687	84,442	5,139	374,368	370,070	121,921	131,358
Levy Excess	55	-	-	-	55	-	-	(55)	-
Joint Services and Supply - Special Education Cooperative	2,427	-	-	-	2,427	-	-	(2,427)	-
Child Care Program	6,888	9,268	4,173	-	11,983	8,184	6,231	-	13,936
Educational License Plates	1,292	114	181	-	1,225	281	131	-	1,375
Alternative Education	-	6,300	6,300	-	-	6,527	6,527	-	-
Donations - PTO	746	-	273	-	473	-	514	41	-
Target Take Charge	660	-	-	-	660	-	-	-	660
Safety Program	3,312	1,381	3,662	-	1,031	463	-	-	1,494
Technology Surplus	49	32	-	-	81	114	-	-	195
Donations	4,200	-	880	-	3,320	1,090	3,547	959	1,822
Donations - Misc	244	1,493	999	-	738	-	388	-	350
Donations - KASEC	1,349	500	293	-	1,556	1,500	410	(1,000)	1,646
Employee Breakfast	985	1,100	1,549	-	536	600	1,092	100	144
Scholarships and Awards	-	30,000	1,572	-	28,428	-	26,337	-	2,091
Miscellaneous Programs	464	1,950	2,001	-	413	1,680	1,386	(100)	607
Transportation Extra-Curricular	109	-	-	-	109	-	-	-	109
H. Dean Ressler Memorial	24	-	389	389	24	-	354	354	24
Western Wishing Well	181	-	-	-	181	-	181	-	-
Formative Assessment	-	30,596	21,120	(9,450)	26	32,211	18,119	(9,450)	4,668
High Ability Grant 15-16	4,907	-	4,907	-	-	-	-	-	-
GT Grant for 2016-17	-	39,835	38,564	-	1,271	-	1,290	19	-
2018 GT Grant	-	-	-	-	-	-	38,471	-	250
Early Intervention Grant	-	-	-	-	-	12,255	11,173	-	1,082
Secured Schools Safety Grant	(16,240)	48,495	36,445	-	(4,190)	29,200	32,680	-	(7,670)
FY 2015 NESP Grant	(124)	-	-	124	-	-	-	-	-
NESP Grant 2016-17	-	3,776	3,776	-	-	-	-	-	-
NESP Grant 2017-18	-	-	-	-	-	3,250	3,250	-	-
School Technology	(1,625)	9,213	9,500	3,092	1,180	-	15,934	14,831	77
Career and Technical Performance Grant	-	4,152	-	-	4,152	3,655	1,020	-	6,787
Performance Based Awards	-	-	-	-	-	78,363	78,269	-	94
Title I 15-16	(21,987)	53,764	31,777	-	-	-	-	-	-
Title I 2016-17	-	140,896	151,813	-	(10,917)	55,993	45,076	-	-
Title I 2017-18	-	-	-	-	-	182,320	203,212	(15,452)	(36,344)
Part B KASEC FY 2015	(8,801)	33,454	24,653	-	-	-	-	-	-
Part B KASEC FY 2016	(165,530)	1,509,718	1,211,630	(138,873)	(6,315)	88,028	81,713	-	-
FY 2017 Part B	-	1,083,563	1,335,057	-	(251,494)	1,562,145	1,315,901	-	(5,250)
Part B 611 FY 2018	-	-	-	-	-	1,124,534	1,387,570	-	(263,036)
Special Ed Preschool	-	32,842	31,191	(5,363)	(3,712)	10,395	6,683	-	-
2017 Preschool Grant	(885)	50,675	55,919	-	(6,129)	36,095	35,406	-	(5,440)
FY 2018 Part B	-	-	-	-	-	52,688	53,313	-	(625)
Title II FY 2015	(10,232)	27,603	17,371	-	-	-	-	-	-
Title II FY 2016	-	29,468	37,505	-	(8,037)	8,535	498	-	-
Title II FY 2017	-	-	-	-	-	36,554	44,294	-	(7,740)
Prepaid Lunch	39,361	613,414	611,540	-	41,235	643,285	577,518	-	107,002
Payroll Clearing	322,823	4,218,869	4,260,855	-	280,837	4,236,271	4,289,869	-	227,239
Totals	\$ 7,898,777	\$ 32,390,864	\$ 32,516,137	\$ 137,055	\$ 7,910,559	\$ 32,385,504	\$ 31,843,700	\$ 207,782	\$ 8,660,145

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

WESTERN 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.

WESTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

WESTERN 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.

WESTERN 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.

WESTERN 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. For most funds, this is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2017 and 2018. The School Bus Replacement fund and the Capital Projects fund were overdrawn as of June 30, 2017, due to expenditures exceeding property tax revenues received.

Note 8. Holding Corporation

The School Corporation has entered into capital leases with the Western 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 school years 2017 and 2018 totaled \$2,150,637 and \$2,078,698, respectively.

WESTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. *Other Postemployment Benefits*

The School Corporation provides postemployment medical insurance benefits to retirees in accordance with Indiana Code 5-10-8. 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.

(This page intentionally left blank.)

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.

WESTERN 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	Project 1 - 1.9 Million	Project 2/ \$2,000,000	Project 3/ \$2,000,000
Cash and investments - beginning	\$ 3,806,973	\$ 1,184,273	\$ 141,163	\$ 136,050	\$ 271,351	\$ (20,566)	\$ 1,709,657	\$ 158,106	\$ (70,610)	\$ (9,085)
Receipts:										
Local sources	232,040	3,067,773	248,882	1,279,868	987,095	141,711	8,920	-	517,985	7,195
Intermediate sources	8,663	-	-	-	-	-	-	-	-	-
State sources	16,321,971	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	1,005	-	-	10,989	-	-	-	-	-	-
Total receipts	<u>16,563,679</u>	<u>3,067,773</u>	<u>248,882</u>	<u>1,290,857</u>	<u>987,095</u>	<u>141,711</u>	<u>8,920</u>	<u>-</u>	<u>517,985</u>	<u>7,195</u>
Disbursements:										
Instruction	10,172,654	-	-	-	-	-	-	-	-	-
Support services	5,542,144	-	-	1,231,075	951,852	219,662	-	(26,131)	48,381	(20,250)
Noninstructional services	408,675	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	101,325	-	-	202,038	-	-	698,233	163,572	322,595	(4,077)
Debt service	-	2,651,604	240,707	-	-	-	-	-	-	-
Nonprogrammed charges	346	-	-	-	-	-	-	-	-	-
Total disbursements	<u>16,225,144</u>	<u>2,651,604</u>	<u>240,707</u>	<u>1,433,113</u>	<u>951,852</u>	<u>219,662</u>	<u>698,233</u>	<u>137,441</u>	<u>370,976</u>	<u>(24,327)</u>
Excess (deficiency) of receipts over disbursements	<u>338,535</u>	<u>416,169</u>	<u>8,175</u>	<u>(142,256)</u>	<u>35,243</u>	<u>(77,951)</u>	<u>(689,313)</u>	<u>(137,441)</u>	<u>147,009</u>	<u>31,522</u>
Other financing sources (uses):										
Sale of capital assets	127,488	-	-	828	-	-	252	-	-	-
Transfers in	453,686	-	-	600,000	-	23,303	320,565	-	-	-
Transfers out	(300,124)	(79,542)	-	(600,000)	-	(20,565)	(323,303)	-	-	-
Total other financing sources (uses)	<u>281,050</u>	<u>(79,542)</u>	<u>-</u>	<u>828</u>	<u>-</u>	<u>2,738</u>	<u>(2,486)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>619,585</u>	<u>336,627</u>	<u>8,175</u>	<u>(141,428)</u>	<u>35,243</u>	<u>(75,213)</u>	<u>(691,799)</u>	<u>(137,441)</u>	<u>147,009</u>	<u>31,522</u>
Cash and investments - ending	\$ <u>4,426,558</u>	\$ <u>1,520,900</u>	\$ <u>149,338</u>	\$ <u>(5,378)</u>	\$ <u>306,594</u>	\$ <u>(95,779)</u>	\$ <u>1,017,858</u>	\$ <u>20,665</u>	\$ <u>76,399</u>	\$ <u>22,437</u>

WESTERN 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	Levy Excess	Joint Services and Supply - Special Education Cooperative	Child Care Program	Educational License Plates	Alternative Education	Donations - PTO	Target Take Charge	Safety Program
Cash and investments - beginning	\$ 283,509	\$ 143,304	\$ 55	\$ 2,427	\$ 6,888	\$ 1,292	\$ -	\$ 746	\$ 660	\$ 3,312
Receipts:										
Local sources	700,384	306,416	-	-	9,268	114	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	15,770	63,664	-	-	-	-	6,300	-	-	1,381
Federal sources	488,062	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>1,204,216</u>	<u>370,080</u>	<u>-</u>	<u>-</u>	<u>9,268</u>	<u>114</u>	<u>6,300</u>	<u>-</u>	<u>-</u>	<u>1,381</u>
Disbursements:										
Instruction	-	-	-	-	-	-	6,300	-	-	-
Support services	382,066	592,687	-	-	-	181	-	-	-	3,662
Noninstructional services	726,229	-	-	-	4,173	-	-	273	-	-
Facilities acquisition and construction	2,651	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	2,204	-	-	-	-	-	-	-	-	-
Total disbursements	<u>1,113,150</u>	<u>592,687</u>	<u>-</u>	<u>-</u>	<u>4,173</u>	<u>181</u>	<u>6,300</u>	<u>273</u>	<u>-</u>	<u>3,662</u>
Excess (deficiency) of receipts over disbursements	<u>91,066</u>	<u>(222,607)</u>	<u>-</u>	<u>-</u>	<u>5,095</u>	<u>(67)</u>	<u>-</u>	<u>(273)</u>	<u>-</u>	<u>(2,281)</u>
Other financing sources (uses):										
Sale of capital assets	106	4,900	-	-	-	-	-	-	-	-
Transfers in	-	79,542	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>106</u>	<u>84,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>91,172</u>	<u>(138,165)</u>	<u>-</u>	<u>-</u>	<u>5,095</u>	<u>(67)</u>	<u>-</u>	<u>(273)</u>	<u>-</u>	<u>(2,281)</u>
Cash and investments - ending	<u>\$ 374,681</u>	<u>\$ 5,139</u>	<u>\$ 55</u>	<u>\$ 2,427</u>	<u>\$ 11,983</u>	<u>\$ 1,225</u>	<u>\$ -</u>	<u>\$ 473</u>	<u>\$ 660</u>	<u>\$ 1,031</u>

WESTERN 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

	Technology Surplus	Donations	Donations - Misc	Donations - KASEC	Employee Breakfast	Scholarships and Awards	Miscellaneous Programs	Transportation Extra-Curricular	H. Dean Ressler Memorial	Western Wishing Well
Cash and investments - beginning	\$ 49	\$ 4,200	\$ 244	\$ 1,349	\$ 985	\$ -	\$ 464	\$ 109	\$ 24	\$ 181
Receipts:										
Local sources	-	-	1,493	500	1,100	-	1,950	-	-	-
Intermediate sources	-	-	-	-	-	30,000	-	-	-	-
State sources	32	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	32	-	1,493	500	1,100	30,000	1,950	-	-	-
Disbursements:										
Instruction	-	-	-	293	-	-	-	-	-	-
Support services	-	-	-	-	1,549	1,572	637	-	-	-
Noninstructional services	-	880	401	-	-	-	1,364	-	389	-
Facilities acquisition and construction	-	-	598	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	880	999	293	1,549	1,572	2,001	-	389	-
Excess (deficiency) of receipts over disbursements	32	(880)	494	207	(449)	28,428	(51)	-	(389)	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	389	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	389	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	32	(880)	494	207	(449)	28,428	(51)	-	-	-
Cash and investments - ending	\$ 81	\$ 3,320	\$ 738	\$ 1,556	\$ 536	\$ 28,428	\$ 413	\$ 109	\$ 24	\$ 181

WESTERN 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

	Formative Assessment	High Ability Grant 15-16	GT Grant for 2016-2017	2018 GT Grant	Early Intervention Grant	Secured Schools Safety Grant	FY 2015 NESP Grant	NESP Grant 2016-17	NESP Grant 2017-18	School Technology
Cash and investments - beginning	\$ -	\$ 4,907	\$ -	\$ -	\$ -	\$ (16,240)	\$ (124)	\$ -	\$ -	\$ (1,625)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	745
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	30,596	-	39,835	-	-	-	-	3,776	-	8,468
Federal sources	-	-	-	-	-	48,495	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>30,596</u>	<u>-</u>	<u>39,835</u>	<u>-</u>	<u>-</u>	<u>48,495</u>	<u>-</u>	<u>3,776</u>	<u>-</u>	<u>9,213</u>
Disbursements:										
Instruction	-	4,004	38,564	-	-	-	-	3,776	-	-
Support services	21,120	903	-	-	-	36,445	-	-	-	9,500
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>21,120</u>	<u>4,907</u>	<u>38,564</u>	<u>-</u>	<u>-</u>	<u>36,445</u>	<u>-</u>	<u>3,776</u>	<u>-</u>	<u>9,500</u>
Excess (deficiency) of receipts over disbursements	<u>9,476</u>	<u>(4,907)</u>	<u>1,271</u>	<u>-</u>	<u>-</u>	<u>12,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(287)</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	3,092
Transfers in	-	-	-	-	-	-	124	-	-	-
Transfers out	(9,450)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(9,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124</u>	<u>-</u>	<u>-</u>	<u>3,092</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>26</u>	<u>(4,907)</u>	<u>1,271</u>	<u>-</u>	<u>-</u>	<u>12,050</u>	<u>124</u>	<u>-</u>	<u>-</u>	<u>2,805</u>
Cash and investments - ending	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 1,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,190)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,180</u>

WESTERN 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

	Career and Technical Performance Grant	Performance Based Awards	Title I 15-16	Title I 2016-17	Title I 2017-18	Part B KASEC FY 2015	Part B KASEC FY 2016	FY 2017 Part B	Part B 611 FY 2018	Special Education Preschool
Cash and investments - beginning	\$ -	\$ -	\$ (21,987)	\$ -	\$ -	\$ (8,801)	\$ (165,530)	\$ -	\$ -	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	1,684	-	-	-	-	-	-	-	-	-
Federal sources	2,468	-	53,764	140,896	-	33,454	1,509,718	1,083,563	-	32,842
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	4,152	-	53,764	140,896	-	33,454	1,509,718	1,083,563	-	32,842
Disbursements:										
Instruction	-	-	31,777	151,813	-	24,653	692,850	616,969	-	31,191
Support services	-	-	-	-	-	-	510,812	718,088	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	7,968	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	31,777	151,813	-	24,653	1,211,630	1,335,057	-	31,191
Excess (deficiency) of receipts over disbursements	4,152	-	21,987	(10,917)	-	8,801	298,088	(251,494)	-	1,651
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(138,873)	-	-	(5,363)
Total other financing sources (uses)	-	-	-	-	-	-	(138,873)	-	-	(5,363)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,152	-	21,987	(10,917)	-	8,801	159,215	(251,494)	-	(3,712)
Cash and investments - ending	\$ 4,152	\$ -	\$ -	\$ (10,917)	\$ -	\$ -	\$ (6,315)	\$ (251,494)	\$ -	\$ (3,712)

WESTERN 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

	2017 Preschool Grant	FY 2018 Part B	Title II FY 2015	Title II FY 2016	Title II FY 2017	Prepaid Lunch	Payroll Clearing	Totals
Cash and investments - beginning	\$ (885)	\$ -	\$ (10,232)	\$ -	\$ -	\$ 39,361	\$ 322,823	\$ 7,898,777
Receipts:								
Local sources	-	-	-	-	-	-	-	7,513,439
Intermediate sources	-	-	-	-	-	-	-	38,663
State sources	-	-	-	-	-	-	-	16,493,477
Federal sources	50,675	-	27,603	29,468	-	-	-	3,501,008
Other receipts	-	-	-	-	-	613,414	4,218,869	4,844,277
Total receipts	50,675	-	27,603	29,468	-	613,414	4,218,869	32,390,864
Disbursements:								
Instruction	55,919	-	17,371	37,505	-	-	-	11,885,639
Support services	-	-	-	-	-	-	-	10,225,955
Noninstructional services	-	-	-	-	-	-	-	1,142,384
Facilities acquisition and construction	-	-	-	-	-	-	-	1,494,903
Debt service	-	-	-	-	-	-	-	2,892,311
Nonprogrammed charges	-	-	-	-	-	611,540	4,260,855	4,874,945
Total disbursements	55,919	-	17,371	37,505	-	611,540	4,260,855	32,516,137
Excess (deficiency) of receipts over disbursements	(5,244)	-	10,232	(8,037)	-	1,874	(41,986)	(125,273)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	137,055
Transfers in	-	-	-	-	-	-	-	1,477,220
Transfers out	-	-	-	-	-	-	-	(1,477,220)
Total other financing sources (uses)	-	-	-	-	-	-	-	137,055
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,244)	-	10,232	(8,037)	-	1,874	(41,986)	11,782
Cash and investments - ending	\$ (6,129)	\$ -	\$ -	\$ (8,037)	\$ -	\$ 41,235	\$ 280,837	\$ 7,910,559

WESTERN SCHOOL CORPORATION
 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Project 1 - 1.9 Million	Project 2/ \$2,000,000	Project 3/ \$2,000,000
Cash and investments - beginning	\$ 4,426,558	\$ 1,520,900	\$ 149,338	\$ (5,378)	\$ 306,594	\$ (95,779)	\$ 1,017,858	\$ 20,665	\$ 76,399	\$ 22,437
Receipts:										
Local sources	374,249	2,777,345	204,392	1,281,644	1,047,967	253,014	218,982	-	-	-
Intermediate sources	6,299	-	-	-	-	-	-	-	-	-
State sources	16,482,519	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	1,889	-	-	-	37,125	-	-	-	-	-
Total receipts	16,864,956	2,777,345	204,392	1,281,644	1,085,092	253,014	218,982	-	-	-
Disbursements:										
Instruction	10,172,230	-	-	-	-	-	-	-	-	-
Support services	5,915,627	-	-	1,068,526	928,728	119,709	15,000	-	-	-
Noninstructional services	424,679	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	3,990	-	-	193,707	-	-	220,189	20,665	76,399	22,437
Debt service	-	2,676,963	242,617	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	16,516,526	2,676,963	242,617	1,262,233	928,728	119,709	235,189	20,665	76,399	22,437
Excess (deficiency) of receipts over disbursements	348,430	100,382	(38,225)	19,411	156,364	133,305	(16,207)	(20,665)	(76,399)	(22,437)
Other financing sources (uses):										
Sale of capital assets	179,760	-	-	161	517	-	10,587	-	-	-
Transfers in	12,076	-	-	500,000	15,452	100,000	402,738	-	-	-
Transfers out	(19)	(120,513)	-	(300,000)	-	(102,738)	(600,000)	-	-	-
Total other financing sources (uses)	191,817	(120,513)	-	200,161	15,969	(2,738)	(186,675)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	540,247	(20,131)	(38,225)	219,572	172,333	130,567	(202,882)	(20,665)	(76,399)	(22,437)
Cash and investments - ending	\$ 4,966,805	\$ 1,500,769	\$ 111,113	\$ 214,194	\$ 478,927	\$ 34,788	\$ 814,976	\$ -	\$ -	\$ -

WESTERN SCHOOL CORPORATION
 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	Levy Excess	Joint Services and Supply - Special Education Cooperative	Child Care Program	Educational License Plates	Alternative Education	Donations - PTO	Target Take Charge	Safety Program
Cash and investments - beginning	\$ 374,681	\$ 5,139	\$ 55	\$ 2,427	\$ 11,983	\$ 1,225	\$ -	\$ 473	\$ 660	\$ 1,031
Receipts:										
Local sources	584,912	306,838	-	-	8,184	206	-	-	-	463
Intermediate sources	-	-	-	-	-	75	-	-	-	-
State sources	23,772	67,530	-	-	-	-	6,527	-	-	-
Federal sources	462,090	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	1,070,774	374,368	-	-	8,184	281	6,527	-	-	463
Disbursements:										
Instruction	-	-	-	-	-	-	6,527	-	-	-
Support services	387,018	369,210	-	-	-	131	-	-	-	-
Noninstructional services	694,829	-	-	-	6,231	-	-	514	-	-
Facilities acquisition and construction	1,960	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	860	-	-	-	-	-	-	-	-
Total disbursements	1,083,807	370,070	-	-	6,231	131	6,527	514	-	-
Excess (deficiency) of receipts over disbursements	(13,033)	4,298	-	-	1,953	150	-	(514)	-	463
Other financing sources (uses):										
Sale of capital assets	20	1,408	-	-	-	-	-	-	-	-
Transfers in	-	120,513	-	-	-	-	-	41	-	-
Transfers out	-	-	(55)	(2,427)	-	-	-	-	-	-
Total other financing sources (uses)	20	121,921	(55)	(2,427)	-	-	-	41	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,013)	126,219	(55)	(2,427)	1,953	150	-	(473)	-	463
Cash and investments - ending	\$ 361,668	\$ 131,358	\$ -	\$ -	\$ 13,936	\$ 1,375	\$ -	\$ -	\$ 660	\$ 1,494

WESTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Technology Surplus	Donations	Donations - Misc	Donations - KASEC	Employee Breakfast	Scholarships and Awards	Miscellaneous Programs	Transportation Extra-Curricular	H. Dean Ressler Memorial	Western Wishing Well
Cash and investments - beginning	\$ 81	\$ 3,320	\$ 738	\$ 1,556	\$ 536	\$ 28,428	\$ 413	\$ 109	\$ 24	\$ 181
Receipts:										
Local sources	114	1,090	-	1,500	600	-	1,680	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	114	1,090	-	1,500	600	-	1,680	-	-	-
Disbursements:										
Instruction	-	-	-	410	-	-	-	-	-	-
Support services	-	3,547	-	-	1,092	26,337	-	-	-	181
Noninstructional services	-	-	388	-	-	-	1,386	-	354	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	3,547	388	410	1,092	26,337	1,386	-	354	181
Excess (deficiency) of receipts over disbursements	114	(2,457)	(388)	1,090	(492)	(26,337)	294	-	(354)	(181)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	354	-
Transfers in	-	1,000	-	-	100	-	-	-	-	-
Transfers out	-	(41)	-	(1,000)	-	-	(100)	-	-	-
Total other financing sources (uses)	-	959	-	(1,000)	100	-	(100)	-	354	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	114	(1,498)	(388)	90	(392)	(26,337)	194	-	-	(181)
Cash and investments - ending	\$ 195	\$ 1,822	\$ 350	\$ 1,646	\$ 144	\$ 2,091	\$ 607	\$ 109	\$ 24	\$ -

WESTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Formative Assessment	High Ability Grant 15-16	GT Grant for 2016-2017	2018 GT Grant	Early Intervention Grant	Secured Schools Safety Grant	FY 2015 NESP Grant	NESP Grant 2016-17	NESP Grant 2017-18	School Technology
Cash and investments - beginning	\$ 26	\$ -	\$ 1,271	\$ -	\$ -	\$ (4,190)	\$ -	\$ -	\$ -	\$ 1,180
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	32,211	-	-	38,721	12,255	-	-	-	3,250	-
Federal sources	-	-	-	-	-	29,200	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	32,211	-	-	38,721	12,255	29,200	-	-	3,250	-
Disbursements:										
Instruction	-	-	1,290	38,471	11,173	-	-	-	-	-
Support services	18,119	-	-	-	-	32,680	-	-	3,250	15,934
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	18,119	-	1,290	38,471	11,173	32,680	-	-	3,250	15,934
Excess (deficiency) of receipts over disbursements	14,092	-	(1,290)	250	1,082	(3,480)	-	-	-	(15,934)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	14,831
Transfers in	-	-	19	-	-	-	-	-	-	-
Transfers out	(9,450)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(9,450)	-	19	-	-	-	-	-	-	14,831
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,642	-	(1,271)	250	1,082	(3,480)	-	-	-	(1,103)
Cash and investments - ending	\$ 4,668	\$ -	\$ -	\$ 250	\$ 1,082	\$ (7,670)	\$ -	\$ -	\$ -	\$ 77

WESTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Career and Technical Performance Grant	Performance Based Awards	Title I 15-16	Title I 2016-17	Title I 2017-18	Part B KASEC FY 2015	Part B KASEC FY 2016	FY 2017 Part B	Part B 611 FY 2018	Special Education Preschool
Cash and investments - beginning	\$ 4,152	\$ -	\$ -	\$ (10,917)	\$ -	\$ -	\$ (6,315)	\$ (251,494)	\$ -	\$ (3,712)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	3,655	78,363	-	-	-	-	-	-	-	-
Federal sources	-	-	-	55,993	182,320	-	88,028	1,562,145	1,124,534	10,395
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	3,655	78,363	-	55,993	182,320	-	88,028	1,562,145	1,124,534	10,395
Disbursements:										
Instruction	1,020	78,269	-	45,076	201,241	-	39,639	584,815	634,920	6,683
Support services	-	-	-	-	1,971	-	310	551,523	739,121	-
Noninstructional services	-	-	-	-	-	-	38,134	33,532	13,529	-
Facilities acquisition and construction	-	-	-	-	-	-	3,630	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	146,031	-	-
Total disbursements	1,020	78,269	-	45,076	203,212	-	81,713	1,315,901	1,387,570	6,683
Excess (deficiency) of receipts over disbursements	2,635	94	-	10,917	(20,892)	-	6,315	246,244	(263,036)	3,712
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(15,452)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(15,452)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,635	94	-	10,917	(36,344)	-	6,315	246,244	(263,036)	3,712
Cash and investments - ending	\$ 6,787	\$ 94	\$ -	\$ -	\$ (36,344)	\$ -	\$ -	\$ (5,250)	\$ (263,036)	\$ -

WESTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	2017 Preschool Grant	FY 2018 Part B	Title II FY 2015	Title II FY 2016	Title II FY 2017	Prepaid Lunch	Payroll Clearing	Totals
Cash and investments - beginning	\$ (6,129)	\$ -	\$ -	\$ (8,037)	\$ -	\$ 41,235	\$ 280,837	\$ 7,910,559
Receipts:								
Local sources	-	-	-	-	-	-	-	7,063,180
Intermediate sources	-	-	-	-	-	-	-	6,374
State sources	-	-	-	-	-	-	-	16,748,803
Federal sources	36,095	52,688	-	8,535	36,554	-	-	3,648,577
Other receipts	-	-	-	-	-	643,285	4,236,271	4,918,570
Total receipts	<u>36,095</u>	<u>52,688</u>	<u>-</u>	<u>8,535</u>	<u>36,554</u>	<u>643,285</u>	<u>4,236,271</u>	<u>32,385,504</u>
Disbursements:								
Instruction	29,817	53,313	-	498	-	-	-	11,905,392
Support services	-	-	-	-	44,294	-	-	10,242,308
Noninstructional services	-	-	-	-	-	-	-	1,213,576
Facilities acquisition and construction	-	-	-	-	-	-	-	542,977
Debt service	-	-	-	-	-	-	-	2,919,580
Nonprogrammed charges	5,589	-	-	-	-	577,518	4,289,869	5,019,867
Total disbursements	<u>35,406</u>	<u>53,313</u>	<u>-</u>	<u>498</u>	<u>44,294</u>	<u>577,518</u>	<u>4,289,869</u>	<u>31,843,700</u>
Excess (deficiency) of receipts over disbursements	<u>689</u>	<u>(625)</u>	<u>-</u>	<u>8,037</u>	<u>(7,740)</u>	<u>65,767</u>	<u>(53,598)</u>	<u>541,804</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	207,638
Transfers in	-	-	-	-	-	-	-	1,151,939
Transfers out	-	-	-	-	-	-	-	(1,151,795)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,782</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>689</u>	<u>(625)</u>	<u>-</u>	<u>8,037</u>	<u>(7,740)</u>	<u>65,767</u>	<u>(53,598)</u>	<u>749,586</u>
Cash and investments - ending	<u>\$ (5,440)</u>	<u>\$ (625)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,740)</u>	<u>\$ 107,002</u>	<u>\$ 227,239</u>	<u>\$ 8,660,145</u>

(This page intentionally left blank.)

WESTERN SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Western School Building Corporation	Refunding Bonds Series 2016	\$ 1,613,000	7/15/2016	1/15/2029
Western School Building Corporation	Series 2015 C	153,000	6/30/2016	6/30/2028
Western School Building Corporation	Series 2015B	153,000	6/30/2016	6/30/2028
Western School Building Corporation	Series 2015A	305,500	6/30/2016	6/30/2028
Western School Building Corporation	Qualified School Construction Lease	<u>183,000</u>	6/30/2011	7/15/2027
Total of annual lease payments		<u>\$ 2,407,500</u>		

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose	
Governmental activities:		
General obligation bonds	2014 Building Project Phase 1	\$ 535,000 \$ 538,818
Notes and loans payable	2013 Pension	<u>265,000</u> <u>276,155</u>
Totals		<u>\$ 800,000</u> <u>\$ 814,973</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

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

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

Report on Compliance for Each Major Federal Program

We have audited the Western 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 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 item 2018-001. 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 and 2018-002, that we consider to be material weaknesses.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

April 10, 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.

(This page intentionally left blank.)

WESTERN SCHOOL CORPORATION
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 Program			FY 2016-2017	\$ -	\$ 81,909	\$ -	\$ -
			FY 2017-2018	-	-	-	71,875
Total - School Breakfast Program				-	81,909	-	71,875
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 2016-2017	-	406,153	-	-
			FY 2017-2018	-	-	-	390,215
National School Lunch Program - Commodities			FY 2016-2017	-	86,963	-	-
			FY 2017-2018	-	-	-	89,149
Total - National School Lunch Program				-	493,116	-	479,364
Total - Child Nutrition Cluster				-	575,025	-	551,239
Total - Department of Agriculture				-	575,025	-	551,239
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
			14215-035-PN01	-	7,003	-	-
			14216-033-PN01	-	319,885	-	18,652
			14217-033-PN01	-	231,232	-	333,362
			18611-033-PN01	-	-	-	234,891
Total - Special Education Grants to States				-	558,120	-	586,905
Special Education Preschool Grants		84.173					
			45716-033-PN01	-	842	-	-
			45717-033-PN01	-	15,376	-	895
			45718-033-PN01	-	-	-	14,947
Total - Special Education Preschool Grants				-	16,218	-	15,842
Total - Special Education Cluster (IDEA)				-	574,338	-	602,747
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			15-3490	-	53,765	-	-
			16-3490	-	140,896	-	96,981
			17-3490	-	-	-	141,332
Total - Title I Grants to Local Educational Agencies				-	194,661	-	238,313
English Language Acquisition State Grants	Indiana Department of Education	84.365					
			17-3490	-	2,361	-	488
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
			15-3490	-	27,603	-	-
			16-3490	-	29,469	-	8,535
			17-3490	-	-	-	36,554
Total - Supporting Effective Instruction State Grants				-	57,072	-	45,089
Total - Department of Education				-	828,432	-	886,637
Total federal awards expended				\$ -	\$ 1,403,457	\$ -	\$ 1,437,876

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

WESTERN 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, 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.

WESTERN 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?	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: Child Nutrition Cluster - Cash Management
 Federal Agency: Department of Agriculture
 Federal Programs: School Breakfast Program, National School Lunch Program
 CFDA Numbers: 10.553, 10.555
 Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Cash Management
 Audit Findings: Material Weakness, Other Matters

WESTERN SCHOOL CORPORATION
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

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 Cash Management compliance requirement.

The School Corporation failed to comply with cash management requirements ensuring that that the School Lunch fund monthly cash balance (net cash resources) was limited to three months average expenditures. The three months average expenditures during fiscal years 2016-2017 and 2017-2018 were \$333,945 and \$325,142, respectively. The net cash resources of the School Lunch fund exceeded these amounts for 5 of 24 months within the audit period.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

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

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

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

Cause

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

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Cash Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2018-002

Subject: Child Nutrition Cluster - Reporting, 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 2016-2017, FY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Reporting, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-003.

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 requirement and the following compliance requirements:

Reporting

The School Corporation had not established an effective system of internal controls to ensure that all of the required reports were accurately prepared and submitted. The Director of Food Service independently prepared and submitted the Annual Financial Report and the Verification Summary Report without a proper system of oversight, review, or approval.

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

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

The School Corporation had not designed or implemented adequate policies or procedures to ensure that required verifications were performed and the determinations were made accurately. The Director of Food Service independently performed the verifications of free and reduced price meal applications and made the determination of whether a change in eligibility was necessary without a proper system of oversight, review, or approval.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications compliance requirements.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

SCHOOL BOARD

SCOTT E. GASKINS—PRESIDENT
DONNA J. SHEPHERD—VICE PRESIDENT
HARRY L. KENWORTHY —SECRETARY
LINDA SINGER —MEMBER
LYNN HALE —MEMBER
PAM CARTER — MEMBER
JILL NEWBY — MEMBER



*To Educate and Inspire Today's Students
for Tomorrow's Opportunities*

RANDY McCracken—SUPERINTENDENT
HEATHER HENDRICH—ASSISTANT SUPERINTENDENT
BROOK CLEAVER —DIRECTOR OF FINANCE
CRAIG SHEARER—DIRECTOR OF TECHNOLOGY
LISSA STRANAHAN—DIRECTOR OF EXCEPTIONAL
LEARNERS & TESTING
STACEY BROWN—CURRICULUM DIRECTOR

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001 – Financial Statement Findings on SEFA
Fiscal year in which the finding initially occurred: 2014 (2014-001)
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Brook Cleaver
Contact Phone Number: (765) 883-1453
Prior Finding 2016-001:

Status of Audit Finding: While preparing the Annual Financial Report for submission in Gateway, I have implemented the following internal controls to prevent, detect and correct errors on the SEFA:

- a) Email the DOE to request a listing of federal funds showing expended for Western School Corporation for the proper time frame;
- b) Compile a list of grants from the prior time frame / all subsequent grants and generate budget and revenue histories for the time frame needed;
- c) Meet with appropriate personnel in various offices to confirm receipts and expenses and check for any errors in reporting (food service director, KASEC office, title office);
- d) Meet with KASEC personnel to confirm amounts for Western School Corporation only;
- e) Review prior audits to confirm any missed information from the prior AFR or SEFA will be listed in future AFRs and SEFAs;
- f) Check and confirm project/award numbers; and
- g) Review all with Superintendent for sign off before submission of AFR in Gateway.

FINDING 2016-002 – Child Nutrition Cluster – Cash Management
Fiscal year in which the finding initially occurred: 2015 & 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture
Contact Person Responsible for Corrective Action: Brook Cleaver & Emily Klingler
Contact Phone Number: (765) 883-1453 / (765) 883-5576 Ext 5161

WESTERN SCHOOL CORPORATION

EQUAL OPPORTUNITY EMPLOYER

2600 SOUTH 600 WEST • RUSSIAVILLE, INDIANA 46979-0247 • PHONE 765-883-5576 • FAX 765-883-7946

Prospective employees will receive consideration without discrimination of race, creed, color, sex, age, national origin, handicap or veteran status

Status of Audit Finding:

Child Nutrition Cluster-Cash Management

During the review period of FY 2015 & FY 2016, the Prepaid Lunch Account Fund 8400 had not been established, which contributed to the net cash resources of the School Lunch Fund 800 exceeding three months' average expenditures. The 8400 account was established at the beginning of the 2016-2017 school year, which helped in lowering the School Lunch Fund 800; however, a formal procedure to monitor the net cash resources of the School Lunch Fund from month to month was not established at that time. Beginning with the 2018-2019 school year, we have created a School Lunch Fund "Monthly Review" form that will be utilized by the Director of Food Service & Director of Finance to ensure that the fund does not exceed three months' average expenditures. We have taken the fiscal year end expenditures for 2017-2018 to determine the 3-month average expenditure threshold for the 2018-2019 school year. At the end of each month, we will compare the fund balance to the threshold to determine if it is over or under. If it is over the threshold, we will take corrective action and use the excess funds to enhance our program, which may include improving/expanding food choices, equipment maintenance and/or replacement, staff professional development, etc. We will both sign off on the form once the monthly review is completed. We will both retain a copy of the form with our month-end reports.

FINDING 2016-003 – Child Nutrition Cluster – Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Fiscal year in which the finding initially occurred: 2015 & 2016

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture

Contact Person Responsible for Corrective Action: Emily Klingler

Contact Phone Number: (765) 883-5576 Ext 5161

Status of Audit Finding:

1. Beginning with the 2016-2017 school year, the Secretary to the Director of Food Service began reviewing & signing off on all Monthly Sponsor Claims for Reimbursement prepared by the Director of Food Service to ensure accuracy before the Claim was submitted to the State for approval.

Our procedure: The Director of Food Service pulls the State Forms at the end of the month, along with enrollment information to determine the Average Daily Attendance for each school building. From there, the Daily Meal Count Edit Checks are reviewed and the number of students eligible for meals in each category (Paid, Free & Reduced) is determined & written at the bottom of the State Form for each school. The number of operating days for each program (Lunch & Breakfast) is determined and written at the bottom of the State Forms as well. The Director of Food Service enters all meal totals for each school building into the CNPWeb

program. After each Site Claim is entered, a summary is printed off. The Site Claim Summary for each building is then given to the Secretary to the Director of Food Service to review against the State Forms for each building. The Secretary double checks the eligibility info, average daily attendance, operating days & number of meals entered on the Site Claim Summary. If everything matches, she signs off on the Site Claim Summary for each building, "Reviewed by Lori Larimore," along with the date of her review. After the Secretary has reviewed all Site Claim Summaries, the Director of Food Service returns to CNPWeb and submits the full Sponsor Claim for approval.

2. Beginning with the 2016-2017 school year, the Food Service Department put in place a policy to conduct a second audit of all free and reduced price meal applications.

Our procedure: All meal applications are processed by the Director of Food Service, this includes paper applications and online applications. Once the applications are processed & eligibility determined, they are filed into binders in alphabetical order. The Secretary to the Director of Food Service then goes through the binders manually and pulls every fifth application to review. Whether it's an online application or paper application, she looks at everything that has been reported on the application (household size, income, TANF/SNAP case numbers, etc.) and confirms that the initial application was processed accurately & the eligibility determination is correct. If everything is correct, she signs off on the meal application, including the date she completed the second audit and her signature.

3. The change in procedures related to the Annual Financial Report (AFR) & the Verification process/Summary Report will begin with the 2018-2019 school year. The AFR is due by September 1st each year, while the Verification process runs from October 1-November 15 each year, with the Verification Summary Report due by December 15th. Moving forward, the Director of Food Service will submit the Annual Financial Report to the Director of Finance for review to ensure it has been accurately prepared before submitting it to the State for approval. In addition, the Secretary to the Director of Food Service will review the Verification process that is completed yearly by the Director of Food Service to ensure determinations and/or changes in eligibility are accurate. She will also sign off on the Verification Summary Report before the Director submits it the State for approval. The Secretary will have to be trained on the Verification process before she can review everything. This training took place in September 2018, before Verification began in October 2018.

Brook Weaver
(Signature)

Director of Finance
(Title)

3-1-19
(Date)

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

SCHOOL BOARD

SCOTT E. GASKINS—PRESIDENT
DONNA J. SHEPHERD—VICE PRESIDENT
HARRY L. KENWORTHY —SECRETARY
LINDA SINGER —MEMBER
LYNN HALE —MEMBER
PAM CARTER — MEMBER
JILL NEWBY — MEMBER



*To Educate and Inspire Today's Students
for Tomorrow's Opportunities*

RANDY MCCRACKEN—SUPERINTENDENT
HEATHER HENDRICH—ASSISTANT SUPERINTENDENT
BROOK CLEAVER —DIRECTOR OF FINANCE
CRAIG SHEARER—DIRECTOR OF TECHNOLOGY
LISSA STRANAHAN—DIRECTOR OF EXCEPTIONAL
LEARNERS & TESTING
STACEY BROWN—CURRICULUM DIRECTOR

CORRECTIVE ACTION PLAN

FINDING 2018-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Emily Klingler
Contact Phone Number: (765) 883-1462

View of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: Beginning with the 2018-2019 school year, we created a School Lunch Fund "Monthly Review" form that is currently being utilized by the Director of Food Service & Director of Finance to ensure that the fund does not exceed three months' average expenditures. We took the fiscal year end expenditures for 2017-2018 to determine the 3-month average expenditure threshold for the 2018-2019 school year. At the end of each month, we compare the fund balance to the threshold to determine if it is over or under. If it is over the threshold, we note what corrective action we will take and/or if a spend-down plan is in place to use the excess funds to enhance our program, which may include improving/expanding food choices, equipment maintenance and/or replacement, staff professional development, etc. We both sign off on the form once the monthly review is completed. We both retain a copy of the form with our month-end reports.

Anticipated Completion Date: August 2018 forward.

FINDING 2018-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Emily Klingler
Contact Phone Number: (765) 883-1462

View of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

The change in procedures related to the Annual Financial Report (AFR) & the Verification process/Summary Report began with the 2018-2019 school year. The Director of Food Service (DFS) submitted the Annual Financial Report to the Director of Finance (DOF) for review to ensure it had been accurately prepared before submitting it to the State for approval. The DOF signed & dated the AFR worksheet, along with the DFS. We will follow this same procedure every year moving forward. In addition, this past October through December, the Secretary to the Director of Food Service reviewed the Verification process as it was completed by the Director of Food Service to ensure determinations and/or changes in eligibility were accurate. She signed off on the Verification Summary Report before the

WESTERN SCHOOL CORPORATION

EQUAL OPPORTUNITY EMPLOYER

2600 SOUTH 600 WEST • RUSSIAVILLE, INDIANA 46979-0247 • PHONE 765-883-5576 • FAX 765-883-7946

Prospective employees will receive consideration without discrimination of race, creed, color, sex, age, national origin, handicap or veteran status

Director submitted it the State for approval. We will follow this same procedure every year moving forward. The Secretary was trained on the Verification process in September 2018 before Verification began in October 2018.

Anticipated Completion Date: August 2018 forward.

Brook Cleaver
(Signature)

Director of Finance
(Title)

4-10-19
(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/>.