

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NETTLE CREEK SCHOOL CORPORATION
WAYNE COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
06/20/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judy Cole	07-01-15 to 06-30-19
Superintendent of Schools	Dr. William Doering	07-01-15 to 06-30-19
President of the School Board	Cary Rhoades	01-01-15 to 12-31-19



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NETTLE CREEK SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Nettle Creek School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2015 to June 30, 2017.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2015 to June 30, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 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

May 15, 2019



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

TO: THE OFFICIALS OF THE NETTLE CREEK SCHOOL CORPORATION, WAYNE 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 Nettle Creek School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated May 15, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a material weakness.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001.

Nettle Creek School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

May 15, 2019

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
General	\$ 1,193,641	\$ 7,239,032	\$ 6,702,972	\$ (794,147)	\$ 935,554	\$ 7,205,184	\$ 7,262,054	\$ (299,965)	\$ 578,719
Debt Service	689,937	1,177,953	1,276,565	(21,455)	569,870	1,250,952	1,270,158	(154,042)	396,622
Capital Projects	577,300	798,452	832,896	-	542,856	785,473	1,031,611	(7,040)	289,678
School Transportation	118,631	676,731	571,009	650	225,003	709,577	582,126	(41,120)	311,334
School Bus Replacement	144,328	102,641	140,702	-	106,267	100,953	-	-	207,220
Rainy Day	85,773	9,668	-	800,000	895,441	-	-	341,120	1,236,561
Construction	10,046	-	10,046	-	-	-	-	-	-
School Lunch	148,064	432,486	495,775	-	84,775	423,651	508,514	-	(88)
Textbook Rental	179,558	149,272	241,767	21,455	108,518	145,223	199,770	154,042	208,013
Levy Excess	650	-	-	(650)	-	-	-	-	-
Educational License Plates	6,778	93	-	-	6,871	150	-	-	7,021
Alternative Education	-	4,929	4,929	-	-	707	707	-	-
Lilly Planning Grant	-	-	-	-	-	30,000	21,296	-	8,704
Instructional Support	-	-	-	-	-	8,828	8,828	-	-
Indiana YRBS	254	-	-	-	254	-	-	-	254
Reed House Memorial Fund	318	-	-	-	318	-	254	-	64
Miscellaneous Programs	1,592	11,256	11,936	-	912	16,814	17,003	-	723
Tobacco Use Prevention Grant	500	-	-	-	500	-	-	-	500
2013 Mac Grant Award	458	-	-	-	458	-	-	-	458
Tom Gordon Memorial Fund	-	400	-	-	400	-	382	-	18
2016 WC Foundation Grant	-	1,456	-	-	1,456	1,439	-	-	2,895
Formative Assessment	-	7,878	7,878	-	-	14,604	14,604	-	-
13-14 High Ability Grant	(1,580)	1,580	-	-	-	-	-	-	-
15-16 High Ability Grant	-	29,733	25,053	-	4,680	-	4,680	-	-
14-15 High Ability Grant	4,246	-	4,246	-	-	-	-	-	-
16-17 High Ability Grant	-	-	-	-	-	29,454	25,572	-	3,882
Secured Schools Safety Grant	-	-	-	-	-	7,040	14,080	7,040	-
Non-English Speaking Programs	-	-	-	-	-	1,400	391	-	1,009
School Technology	11,387	19,127	30,092	-	422	13,933	16,108	-	(1,753)
Career and Technical Performance Grant	-	-	-	-	-	12,608	9,403	-	3,205
Miscellaneous Programs	12,363	-	-	-	12,363	-	-	-	12,363
2015 Secured Safety Grant	(25,000)	25,000	-	-	-	-	-	-	-
ECIST School Wellness Program	2,251	3,080	1,195	-	4,136	3,240	2,704	-	4,672
15-16 Title I Grant	-	88,905	129,127	-	(40,222)	140,227	100,005	-	-
16-17 Title I Grant	-	-	-	-	-	129,696	193,875	-	(64,179)
14-15 Title I Grant	(45,254)	116,196	70,942	-	-	-	-	-	-
Improving Teacher Quality, No Child Left, Title II, Part A	91	23,643	23,734	-	-	-	-	-	-
15-16 Title II Part A	-	-	-	-	-	20,961	35,565	-	(14,604)
16-17 Title II Part A	-	-	-	-	-	-	950	-	(950)
Rural Schools and Low Income Program - Pass Through State	-	9,118	9,118	-	-	-	-	-	-
FY14 Rural & Low Income Grant	-	-	10,899	-	(10,899)	23,487	12,588	-	-
Prepaid School Lunch	18,502	51,497	55,200	-	14,799	65,985	59,220	-	21,564
Payroll Withholdings	14,840	1,492,096	1,491,659	-	15,277	1,619,505	1,609,587	-	25,195
ECA Payroll Withholdings	557	37,299	37,362	-	494	37,307	37,253	-	548
Totals	\$ 3,150,231	\$ 12,509,521	\$ 12,185,102	\$ 5,853	\$ 3,480,503	\$ 12,798,398	\$ 13,039,288	\$ 35	\$ 3,239,648

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

NETTLE CREEK 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.

NETTLE CREEK 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.

NETTLE CREEK 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.

NETTLE CREEK 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.

NETTLE CREEK 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. Generally 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, 2016 and 2017.

For School Lunch, the cash balance deficit is because the School Corporation experienced a period of declining student enrollment. Delaying adjustments to food services department to reflect fewer meals served created the situation where expenditures exceeded revenue.

NETTLE CREEK SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Note 8. Holding Corporation

The School Corporation has entered into capital leases with Nettle Creek School Building Corp (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2016 and 2017 totaled \$860,000 and \$863,000, respectively.

Note 9. Restatements

For the year ended June 30, 2016, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of June 30, 2015	Prior Period Adjustment	Balance as of July 1, 2015
Prepaid School Lunch	\$ -	\$ 18,502	\$ 18,502
ECA Payroll Withholdings	-	557	557

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,193,641	\$ 689,937	\$ 577,300	\$ 118,631	\$ 144,328	\$ 85,773	\$ 10,046	\$ 148,064	\$ 179,558
Receipts:									
Local sources	161,139	1,177,953	798,452	671,159	102,641	9,668	-	187,912	113,723
Intermediate sources	23	-	-	-	-	-	-	-	-
State sources	7,066,211	-	-	-	-	-	-	4,103	35,249
Federal sources	-	-	-	-	-	-	-	240,321	-
Other receipts	11,659	-	-	5,572	-	-	-	150	300
Total receipts	7,239,032	1,177,953	798,452	676,731	102,641	9,668	-	432,486	149,272
Disbursements:									
Instruction	4,750,822	-	-	2,164	-	-	-	-	-
Support services	1,799,514	-	670,239	568,845	140,702	-	-	173	241,767
Noninstructional services	152,636	-	-	-	-	-	-	495,602	-
Facilities acquisition and construction	-	-	109,412	-	-	-	10,046	-	-
Debt service	-	1,276,565	53,245	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	6,702,972	1,276,565	832,896	571,009	140,702	-	10,046	495,775	241,767
Excess (deficiency) of receipts over (under) disbursements	536,060	(98,612)	(34,444)	105,722	(38,061)	9,668	(10,046)	(63,289)	(92,495)
Other financing sources (uses):									
Sale of capital assets	5,853	-	-	-	-	-	-	-	-
Transfers in	-	-	-	650	-	800,000	-	-	21,455
Transfers out	(800,000)	(21,455)	-	-	-	-	-	-	-
Total other financing sources (uses)	(794,147)	(21,455)	-	650	-	800,000	-	-	21,455
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(258,087)	(120,067)	(34,444)	106,372	(38,061)	809,668	(10,046)	(63,289)	(71,040)
Cash and investments - ending	\$ 935,554	\$ 569,870	\$ 542,856	\$ 225,003	\$ 106,267	\$ 895,441	\$ -	\$ 84,775	\$ 108,518

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

	Levy Excess	Educational License Plates	Alternative Education	Lilly Planning Grant	Instructional Support	Indiana YRBS	Reed House Memorial Fund	Miscellaneous Programs	Tobacco Use Prevention Grant
Cash and investments - beginning	\$ 650	\$ 6,778	\$ -	\$ -	\$ -	\$ 254	\$ 318	\$ 1,592	\$ 500
Receipts:									
Local sources	-	-	-	-	-	-	-	11,256	-
Intermediate sources	-	93	-	-	-	-	-	-	-
State sources	-	-	4,929	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	93	4,929	-	-	-	-	11,256	-
Disbursements:									
Instruction	-	-	-	-	-	-	-	11,936	-
Support services	-	-	4,929	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	4,929	-	-	-	-	11,936	-
Excess (deficiency) of receipts over (under) disbursements	-	93	-	-	-	-	-	(680)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(650)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(650)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(650)	93	-	-	-	-	-	(680)	-
Cash and investments - ending	\$ -	\$ 6,871	\$ -	\$ -	\$ -	\$ 254	\$ 318	\$ 912	\$ 500

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

	2013 Mac Grant Award	Tom Gordon Memorial Fund	2016 WC Foundation Grant	Formative Assessment	13-14 High Ability Grant	15-16 High Ability Grant	14-15 High Ability Grant	16-17 High Ability Grant	Secured Schools Safety Grant
Cash and investments - beginning	\$ 458	\$ -	\$ -	\$ -	\$ (1,580)	\$ -	\$ 4,246	\$ -	\$ -
Receipts:									
Local sources	-	400	1,456	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	7,878	-	29,733	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	1,580	-	-	-	-
Total receipts	-	400	1,456	7,878	1,580	29,733	-	-	-
Disbursements:									
Instruction	-	-	-	7,878	-	25,053	4,246	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	7,878	-	25,053	4,246	-	-
Excess (deficiency) of receipts over (under) disbursements	-	400	1,456	-	1,580	4,680	(4,246)	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	400	1,456	-	1,580	4,680	(4,246)	-	-
Cash and investments - ending	\$ 458	\$ 400	\$ 1,456	\$ -	\$ -	\$ 4,680	\$ -	\$ -	\$ -

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

	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	Miscellaneous Programs	2015 Secured Safety Grant	ECIST School Wellness Program	15-16 Title I Grant	16-17 Title I Grant	14-15 Title I Grant
Cash and investments - beginning	\$ -	\$ 11,387	\$ -	\$ 12,363	\$ (25,000)	\$ 2,251	\$ -	\$ -	\$ (45,254)
Receipts:									
Local sources	-	-	-	-	-	3,080	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	6,565	-	-	25,000	-	-	-	-
Federal sources	-	-	-	-	-	-	88,905	-	116,196
Other receipts	-	12,562	-	-	-	-	-	-	-
Total receipts	-	19,127	-	-	25,000	3,080	88,905	-	116,196
Disbursements:									
Instruction	-	28,802	-	-	-	-	117,554	-	69,879
Support services	-	1,290	-	-	-	1,195	5,405	-	715
Noninstructional services	-	-	-	-	-	-	6,168	-	348
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	30,092	-	-	-	1,195	129,127	-	70,942
Excess (deficiency) of receipts over (under) disbursements	-	(10,965)	-	-	25,000	1,885	(40,222)	-	45,254
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	(10,965)	-	-	25,000	1,885	(40,222)	-	45,254
Cash and investments - ending	\$ -	\$ 422	\$ -	\$ 12,363	\$ -	\$ 4,136	\$ (40,222)	\$ -	\$ -

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

	Improving Teacher Quality, No Child Left, Title II, Part A	15-16 Title II Part A	16-17 Title II Part A	Rural Schools and Low Income Program - Pass Through State	FY14 Rural & Low Income Grant	Prepaid School Lunch	Payroll Withholdings	ECA Payroll Withholdings	Totals
Cash and investments - beginning	\$ 91	\$ -	\$ -	\$ -	\$ -	\$ 18,502	\$ 14,840	\$ 557	\$ 3,150,231
Receipts:									
Local sources	-	-	-	-	-	-	-	-	3,238,839
Intermediate sources	-	-	-	-	-	-	-	-	116
State sources	-	-	-	-	-	-	-	-	7,179,668
Federal sources	23,643	-	-	9,118	-	-	-	-	478,183
Other receipts	-	-	-	-	-	51,497	1,492,096	37,299	1,612,715
Total receipts	23,643	-	-	9,118	-	51,497	1,492,096	37,299	12,509,521
Disbursements:									
Instruction	-	-	-	9,118	9,904	-	-	-	5,037,356
Support services	23,734	-	-	-	995	-	-	-	3,459,503
Noninstructional services	-	-	-	-	-	-	-	-	654,754
Facilities acquisition and construction	-	-	-	-	-	-	-	-	119,458
Debt service	-	-	-	-	-	-	-	-	1,329,810
Nonprogrammed charges	-	-	-	-	-	55,200	1,491,659	37,362	1,584,221
Total disbursements	23,734	-	-	9,118	10,899	55,200	1,491,659	37,362	12,185,102
Excess (deficiency) of receipts over (under) disbursements	(91)	-	-	-	(10,899)	(3,703)	437	(63)	324,419
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	5,853
Transfers in	-	-	-	-	-	-	-	-	822,105
Transfers out	-	-	-	-	-	-	-	-	(822,105)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	5,853
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(91)	-	-	-	(10,899)	(3,703)	437	(63)	330,272
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ (10,899)	\$ 14,799	\$ 15,277	\$ 494	\$ 3,480,503

NETTLE CREEK 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 935,554	\$ 569,870	\$ 542,856	\$ 225,003	\$ 106,267	\$ 895,441	\$ -	\$ 84,775	\$ 108,518
Receipts:									
Local sources	59,890	1,250,952	785,094	702,481	100,953	-	-	176,209	110,824
Intermediate sources	114	-	-	-	-	-	-	-	-
State sources	7,142,281	-	-	-	-	-	-	4,146	34,199
Federal sources	-	-	-	-	-	-	-	243,071	-
Other receipts	2,899	-	379	7,096	-	-	-	225	200
Total receipts	7,205,184	1,250,952	785,473	709,577	100,953	-	-	423,651	145,223
Disbursements:									
Instruction	4,937,168	-	-	-	-	-	-	-	-
Support services	2,164,236	-	690,671	579,488	-	-	-	225	199,770
Noninstructional services	159,807	-	-	-	-	-	-	508,289	-
Facilities acquisition and construction	843	-	272,885	-	-	-	-	-	-
Debt service	-	1,270,158	68,055	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	2,638	-	-	-	-	-
Total disbursements	7,262,054	1,270,158	1,031,611	582,126	-	-	-	508,514	199,770
Excess (deficiency) of receipts over (under) disbursements	(56,870)	(19,206)	(246,138)	127,451	100,953	-	-	(84,863)	(54,547)
Other financing sources (uses):									
Sale of capital assets	35	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	341,120	-	-	154,042
Transfers out	(300,000)	(154,042)	(7,040)	(41,120)	-	-	-	-	-
Total other financing sources (uses)	(299,965)	(154,042)	(7,040)	(41,120)	-	341,120	-	-	154,042
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(356,835)	(173,248)	(253,178)	86,331	100,953	341,120	-	(84,863)	99,495
Cash and investments - ending	\$ 578,719	\$ 396,622	\$ 289,678	\$ 311,334	\$ 207,220	\$ 1,236,561	\$ -	\$ (88)	\$ 208,013

NETTLE CREEK 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

	Levy Excess	Educational License Plates	Alternative Education	Lilly Planning Grant	Instructional Support	Indiana YRBS	Reed House Memorial Fund	Miscellaneous Programs	Tobacco Use Prevention Grant
Cash and investments - beginning	\$ -	\$ 6,871	\$ -	\$ -	\$ -	\$ 254	\$ 318	\$ 912	\$ 500
Receipts:									
Local sources	-	-	-	30,000	8,828	-	-	16,814	-
Intermediate sources	-	150	-	-	-	-	-	-	-
State sources	-	-	707	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	150	707	30,000	8,828	-	-	16,814	-
Disbursements:									
Instruction	-	-	-	-	-	-	-	9,773	-
Support services	-	-	707	21,296	8,828	-	-	7,230	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	254	-	-
Total disbursements	-	-	707	21,296	8,828	-	254	17,003	-
Excess (deficiency) of receipts over (under) disbursements	-	150	-	8,704	-	-	(254)	(189)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	150	-	8,704	-	-	(254)	(189)	-
Cash and investments - ending	\$ -	\$ 7,021	\$ -	\$ 8,704	\$ -	\$ 254	\$ 64	\$ 723	\$ 500

NETTLE CREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
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 For the Year Ended June 30, 2017

	2013 Mac Grant Award	Tom Gordon Memorial Fund	2016 WC Foundation Grant	Formative Assessment	13-14 High Ability Grant	15-16 High Ability Grant	14-15 High Ability Grant	16-17 High Ability Grant	Secured Schools Safety Grant
Cash and investments - beginning	\$ 458	\$ 400	\$ 1,456	\$ -	\$ -	\$ 4,680	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	1,439	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	14,604	-	-	-	29,454	7,040
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	1,439	14,604	-	-	-	29,454	7,040
Disbursements:									
Instruction	-	-	-	-	-	4,680	-	25,572	-
Support services	-	382	-	14,604	-	-	-	-	14,080
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	382	-	14,604	-	4,680	-	25,572	14,080
Excess (deficiency) of receipts over (under) disbursements	-	(382)	1,439	-	-	(4,680)	-	3,882	(7,040)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	7,040
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	7,040
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	(382)	1,439	-	-	(4,680)	-	3,882	-
Cash and investments - ending	\$ 458	\$ 18	\$ 2,895	\$ -	\$ -	\$ -	\$ -	\$ 3,882	\$ -

NETTLE CREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2017

	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	Miscellaneous Programs	2015 Secured Safety Grant	ECIST School Wellness Program	15-16 Title I Grant	16-17 Title I Grant	14-15 Title I Grant
Cash and investments - beginning	\$ -	\$ 422	\$ -	\$ 12,363	\$ -	\$ 4,136	\$ (40,222)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	3,240	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	1,400	8,468	5,615	-	-	-	-	-	-
Federal sources	-	-	6,993	-	-	-	140,227	129,696	-
Other receipts	-	5,465	-	-	-	-	-	-	-
Total receipts	1,400	13,933	12,608	-	-	3,240	140,227	129,696	-
Disbursements:									
Instruction	391	15,678	9,403	-	-	-	89,576	176,700	-
Support services	-	430	-	-	-	2,704	10,249	10,972	-
Noninstructional services	-	-	-	-	-	-	180	6,203	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	391	16,108	9,403	-	-	2,704	100,005	193,875	-
Excess (deficiency) of receipts over (under) disbursements	1,009	(2,175)	3,205	-	-	536	40,222	(64,179)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,009	(2,175)	3,205	-	-	536	40,222	(64,179)	-
Cash and investments - ending	\$ 1,009	\$ (1,753)	\$ 3,205	\$ 12,363	\$ -	\$ 4,672	\$ -	\$ (64,179)	\$ -

NETTLE CREEK 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

	Improving Teacher Quality, No Child Left, Title II, Part A	15-16 Title II Part A	16-17 Title II Part A	Rural Schools and Low Income Program - Pass Through State	FY14 Rural & Low Income Grant	Prepaid School Lunch	Payroll Withholdings	ECA Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (10,899)	\$ 14,799	\$ 15,277	\$ 494	\$ 3,480,503
Receipts:									
Local sources	-	-	-	-	-	-	-	-	3,246,724
Intermediate sources	-	-	-	-	-	-	-	-	264
State sources	-	-	-	-	-	-	-	-	7,247,914
Federal sources	-	20,961	-	-	23,487	-	-	-	564,435
Other receipts	-	-	-	-	-	65,985	1,619,505	37,307	1,739,061
Total receipts	-	20,961	-	-	23,487	65,985	1,619,505	37,307	12,798,398
Disbursements:									
Instruction	-	-	-	-	12,074	-	-	-	5,281,015
Support services	-	35,565	950	-	514	-	-	-	3,762,901
Noninstructional services	-	-	-	-	-	-	-	-	674,479
Facilities acquisition and construction	-	-	-	-	-	-	-	-	273,728
Debt service	-	-	-	-	-	-	-	-	1,338,213
Nonprogrammed charges	-	-	-	-	-	59,220	1,609,587	37,253	1,708,952
Total disbursements	-	35,565	950	-	12,588	59,220	1,609,587	37,253	13,039,288
Excess (deficiency) of receipts over (under) disbursements	-	(14,604)	(950)	-	10,899	6,765	9,918	54	(240,890)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	35
Transfers in	-	-	-	-	-	-	-	-	502,202
Transfers out	-	-	-	-	-	-	-	-	(502,202)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	35
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	(14,604)	(950)	-	10,899	6,765	9,918	54	(240,855)
Cash and investments - ending	\$ -	\$ (14,604)	\$ (950)	\$ -	\$ -	\$ 21,564	\$ 25,195	\$ 548	\$ 3,239,648

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NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 189,145</u>	<u>\$ -</u>

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
2012 Nettle Creek School Building Corp	HS Construction	\$ 86,000	12/31/12	06/30/23
2015 Nettle Creek School Building Corp	EI & HS Construction/Improvements	778,500	06/30/15	12/31/34
Dell Chromebook Lease Purchase Agreement	To Finance Technology	44,142	06/01/15	09/01/17
Dell Chromebook Lease Purchase Agreement	To Finance Technology	29,620	08/01/16	08/01/19
Toshiba	Copier Rental	20,176	10/25/16	10/25/21
Var Wireless Networking	Wireless Networking	<u>40,200</u>	09/24/15	09/24/18
Total governmental activities		<u>998,638</u>		
Total of annual lease payments		<u>\$ 998,638</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Elem Construction Project	\$ 380,000	\$ 63,976
Notes and loans payable	HS Construction Project	<u>2,421,038</u>	<u>349,139</u>
Total governmental activities		<u>2,801,038</u>	<u>413,115</u>
Totals		<u>\$ 2,801,038</u>	<u>\$ 413,115</u>

NETTLE CREEK SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2017

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 265,175
Buildings	11,204,812
Improvements other than buildings	993,582
Machinery, equipment, and vehicles	<u>2,595,145</u>
Total governmental activities	<u>15,058,713</u>
Total capital assets	<u>\$ 15,058,713</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE NETTLE CREEK SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Nettle Creek 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, 2015 to June 30, 2017. 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, 2015 to June 30, 2017.

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 2017-003 and 2017-005. 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 2017-002, 2017-003, 2017-004, and 2017-005, 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

May 15, 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.

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY 2015/2016	\$ -	\$ 36,885	\$ -	\$ -
School Breakfast			FY 2016/2017	-	-	-	38,987
Total - School Breakfast Program				-	36,885	-	38,987
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			FY 2015/2016	-	200,328	-	-
Commodities			FY 2016/2017	-	-	-	201,348
Commodities			FY 2015/2016	-	28,759	-	-
Commodities			FY 2016/2017	-	-	-	36,637
Total - National School Lunch Program				-	229,087	-	237,985
Summer Food Service Program for Children							
Summer Food	Indiana Department of Education	10.559					
Summer Food			FY 2015/2016	-	3,109	-	-
Summer Food			FY 2016/2017	-	-	-	2,735
Total - Summer Food Service Program for Children				-	3,109	-	2,735
Total - Child Nutrition Cluster				-	269,081	-	279,707
Total - Department of Agriculture				-	269,081	-	279,707
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
IDEA Part B FY15			14215-044-PN01	-	96,718	-	-
IDEA Part B FY16			14216-042-PN01	-	173,514	-	90,324
IDEA Part B FY17			14217-042-PN01	-	-	-	181,202
Total - Special Education Grants to States				-	270,232	-	271,526

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
Special Education Preschool Grants	Indiana Department of Education	84.173					
Preschool Grant FY15			45715-044-PN01	-	4,594	-	-
Preschool Grant FY16			45716-042-PN01	-	8,141	-	5,073
Preschool Grant FY17			45717-042-PN01	-	-	-	8,304
Total - Special Education Preschool Grants				-	12,735	-	13,377
Total - Special Education Cluster				-	282,967	-	284,903
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
14-15 Title I Grant			15-8305	-	116,196	-	-
15-16 Title I Grant			16-8305	-	88,905	-	140,227
16-17 Title I Grant			17-8305	-	-	-	129,696
Total - Title I Grants to Local Educational Agencies				-	205,101	-	269,923
Rural Education	Indiana Department of Education	84.358					
FY13 Rural & Low-Income Grant			S358B130014	-	9,118	-	-
FY14 Rural & Low-Income Grant			S358B140014	-	-	-	23,487
Total - Rural Education				-	9,118	-	23,487
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			S367A140013	-	23,643	-	-
Title II Part A			S367A150013	-	-	-	20,961
Total - Supporting Effective Instruction State Grants				-	23,643	-	20,961
Total - Department of Education				-	520,829	-	599,274
Total Federal Awards Expended				\$ -	\$ 789,910	\$ -	\$ 878,981

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

NETTLE CREEK SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2016 and 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. *Summary of Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. *Special Education Cooperative*

The School Corporation is a member of the New Castle Area 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 of the School Corporation. This activity is reported on the financial statement of the Cooperative.

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material 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

FINDING 2017-001

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

Repeat Finding

This is a repeat of Finding 2015-001 from the immediately prior audit report.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Treasurer prepared the federal award information into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Context

Due to the lack of effective internal controls, the total federal expenditures reported on the SEFA for fiscal years 2015-2016 and 2016-2017 were understated by \$334,510 and \$296,065, respectively. The understatements were primarily due to the exclusion of the Special Education Cluster (IDEA) expenditures, which totaled \$282,967 and \$284,903 for 2015-2016 and 2016-2017, respectively.

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

Criteria

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

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

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

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

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-002

Subject: Special Education Cluster (IDEA) - Activities Allowed
or Unallowed, Allowable Costs/Cost Principles

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): 14215-044-PN01, 14216-042-PN01,
14217-042-PN01, 45715-044-PN01,
45716-042-PN01, 45717-042-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2015-007 from the immediately prior audit report.

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles. The School Corporation was a member of the New Castle Area Special Services Cooperative (Cooperative), and it provided oversight of the Cooperative through the School Corporation's Superintendent of Schools who served as a member of the Cooperative Board. However, the Cooperative had not established an effective internal control system in relation to Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

There was no control procedure in place to ensure that payroll expenditures made from the Special Education Cluster (IDEA) were for allowable activities and allowable costs.

Context

The lack of controls was isolated to the first year of the audit period.

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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). . . ."

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed a system of internal controls to ensure compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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

FINDING 2017-003

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015/2016, FY 2016/2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Procurement and Suspension and Debarment.

The School Corporation did not verify that vendors used during the audit period were not suspended or debarred.

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

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

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 180.300 states:

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

You do this by:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the procurement and suspension and debarment requirements 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, including segregation of duties, related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2017-004

Subject: Child Nutrition Cluster - Reporting, Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015/2016, FY 2016/2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Reporting, Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding numbers were 2015-002 and 2015-005.

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Reporting and Special Test and Provisions - Paid Lunch Equity.

Reporting

The School Corporation had not established controls to verify the accuracy of reports submitted to the state. One employee prepared and submitted the Annual Financial Report without an oversight, review, or approval process.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The School Corporation had not established controls related to the calculation of paid lunch equity. One employee performed all procedures related to the paid lunch equity calculations without an oversight, review, or approval process.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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 Reporting and Special Tests and Provisions - Paid Lunch Equity 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 - Paid Lunch Equity compliance requirements. A lack of segregation of duties within an internal control system could have allowed noncompliance with the compliance requirements and could allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Reporting and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

FINDING 2017-005

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 2015/2016, FY 2016/2017

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

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat of Finding 2015-004 from the immediately prior audit report.

Condition

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

Verification Summary Reports were completed, but the School Corporation was unable to provide the verified free and reduced price applications selected for testing.

Context

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

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 states in part:

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

Cause

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

Effect

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

NETTLE CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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, which 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.



Nettle Creek Family of Schools

Nettle Creek School Corp.
297 E. Northmarket St.
Hagerstown, IN 47346
growatthecreek.com
765.489.4543

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-001

Fiscal year in which the finding initially occurred: July 1, 2013, to June 30, 2015
Preparation of the Schedule of Expenditures of Federal Awards
Contact Person Responsible for Corrective Action: Judy Cole
Contact Phone Number: 765-489-4543

Status of Audit Finding: The 16-17 Schedule of Expenditures of Federal Awards was reviewed and initialed after it was prepared by the treasurer. The 15-16 SEFA was not reviewed and initialed by the superintendent. The time frame for this audit period was such that the 15-16 and 16-17 audit period reports had already been submitted to the state before the audit finding.

The amount for commodities on the child nutrition cluster and the special education cluster amount was not added to the 15-16 and 16-17 Schedule of Expenditures of Federal Awards due to the time frame of the 13-14 and 14-15 audit finding. Those corrections were made beginning with the 17-18 SEFA report.

Finding 2015-002

Fiscal year in which the finding initially occurred: July 1, 2013, to June 30, 2015
Reporting
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Judy Cole, Treasurer
Contact Phone Number: 765-489-4543

Status of audit finding: Internal control was not carried out on the 15-16 nor the 16-17 annual financial reports since those reports had already been submitted before the audit finding. We did not take the time to go back and review what was already submitted. Beginning with the 18-19 school year reporting for the AFR the internal controls will be implemented.

Finding 2015-003

Fiscal year in which the finding initially occurred: July 1 2013, to June 30, 2015

Cash Management

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: William Doering, Ph.D.

Contact Phone Number: 765-489-4543

This finding has been corrected. The food service director and the superintendent are meeting monthly to ensure that the cash balance does not exceed the average 3-month expenditure.

Finding 2015-004

Fiscal year in which the finding initially occurred: July 1, 2013, to June 30, 2015.

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

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: William Doering, Ph.D.

Contact Phone Number: 765-489-4543

Description of the Corrective Action Plan: The interventions as described in our previous response were not carried out. Training was provided to the food services director at that time by the IDOE field consultant without a positive result. Starting with the 17-18 school year, Nettle Creek School Corporation contracted with an FSMC to provide a partnership in food service and to assure internal control.

Finding 2015-005

Fiscal year in which the finding initially occurred: July 1, 2013, to June 30, 2015

Special Tests and Provisions – Paid Lunch Equity

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: William Doering, Ph.D.

Contact Phone Number: 76-489-4543

Description of Corrective Action Plan: A system of files may or may not have been established as described in our previous response. The fact remains that after the food director left, when the files were needed, they were not available. Starting with the 17-18 school year, Nettle Creek School Corporation contracted with an FSMC to provide a partnership in food service and to assure internal control was established and files are maintained.

Finding 2015-006

Fiscal year in which the finding initially occurred: July 1, 2013, to June 30, 2015

Allowable Costs/Cost Principles

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Laura Swain Title I Administrator

Contact Phone Number: 765-489-4543

This finding has been corrected. The Title I administrator now reviews, initials and maintains Time & Effort Logs and Semi-Annual Certifications with the signatures of employees and supervisors.

Finding 2015-007

Fiscal year in which the finding initially occurred: July 1, 2013, to June 30, 2015


Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Pass-through Entity: Indiana Department of Education

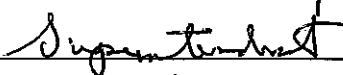
Contact Person Responsible for Corrective Action: William Doering, Superintendent

Contact Phone Number: 765-489-4543

This finding has been corrected in May, 2019. A system of internal controls has been put into place to ensure that only employees who worked on the Special Ed program were paid with Special Education grant funds and to ensure that the Personal Activity Reports or Semi-Annual Certifications are complete and correct.



Signature



Title

5/15/19

Date

CORRECTIVE ACTION PLAN

Finding 2017-001

Contact Person Responsible for Corrective Action: Judy Cole, Treas.
Contact Phone Number: 765-489-4543

Views of Responsible Official:
We concur with the finding.

Description of corrective action plan: The superintendent is currently checking the 17-18 SEFA, after the fact, to ensure compliance requirements are followed in regards to establishing controls related to the preparation of SEFA. Each year the treasurer will prepare the annual report (SEFA) and the superintendent will review its contents for accuracy and initial before submission.

The special education cluster amount has already been added to the 17-18 SEFA report and we will continue to carry that forward on our yearly SEFA reporting.

Finding 2017-002

Contact Person Responsible for Corrective Action: William Doering, Ph.D., Superintendent
Contact Phone Number: 765-489-4543

Views of Responsible Official: We concur with the finding.

Description of corrective action plan: An internal control system will be established that includes the completion of a Semi-Annual Certification Activity Report by employees who are being paid through Special Education funds. The form will be counter-signed by the employee's supervisor and submitted to the Office of the Superintendent.

Finding 2017-003

Contact Person Responsible for Corrective Action: William Doering, Ph.D., Superintendent
Contact Phone Number: 765-489-4543

Views of Responsible Official: We concur with the finding.

Description of corrective action plan: An internal control system has been established with the FSMC that includes the segregation of duties related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement along with a monthly review of Food Service operations.

Finding 2017-004

Contact Person Responsible for Corrective Action: William Doering, Ph.D., Superintendent
Contact Phone Number: 765-489-4543

Views of Responsible Official: We concur with the finding.

Description of corrective action plan: An internal control system has been established with the FSMC that includes the segregation of duties related to the grant agreement and Reporting and Special Test and Provisions – Paid Lunch Equity along with a monthly review of Food Service operations. The Food Services Director will prepare the reports and will review them with the Superintendent. The Superintendent will initial reports after review.

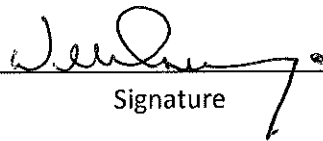
Finding 2017-005

Contact Person Responsible for Corrective Action: William Doering, Ph.D., Superintendent
Contact Phone Number: 765-489-4543

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: An internal control system has been established with the FSMC that includes the segregation of duties related to the grant agreement and the implementation of a file system so that documents such as the verified free and reduced price applications selected for testing are retained, organized and available for audit.

Anticipated Completion Date: June, 2019



Signature

Superintendent

Title

May 14, 2019

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/>.