

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
SPENCER COUNTY, INDIANA

July 1, 2011 to June 30, 2013



**FILED**  
03/25/2014



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Diane Parsley	07-01-11 to 06-30-13
	Patti Jones	07-01-13 to 07-09-13
	Diane Parsley	07-10-13 to 09-30-13
	David Marx	10-01-13 to 06-30-14
Superintendent of Schools	Candis Haskell	07-01-11 to 06-30-14
President of the School Board	Jane Whitney	01-01-11 to 12-31-11
	Jim Boyer	01-01-12 to 12-31-12
	David Hemmer	01-01-13 to 12-31-13
	Jeff Roberts	01-01-14 to 12-31-14



## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statement of the South Spencer County School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

### ***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 of 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 of 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, 2011 to June 30, 2013.

***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, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 17, 2014, 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 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 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.

***Accompanying Information***

*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 the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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



Paul D. Joyce, CPA  
State Examiner

February 17, 2014



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the South Spencer County School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated February 17, 2014, 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1 to be material weaknesses.

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

***Compliance and Other Matters***

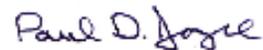
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***South Spencer County School Corporation's Response to Findings***

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

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

February 17, 2014

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## FINANCIAL STATEMENT

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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SOUTH SPENCER COUNTY SCHOOL CORPORATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 3,113,768	\$ 8,862,672	\$ 9,464,829	\$ 1,797	\$ 2,513,408	\$ 8,860,477	\$ 9,520,211	\$ 6,950	\$ 1,860,624
Debt Service	958,686	1,554,168	1,476,000	(6,170)	1,030,684	1,450,576	1,517,500	(8,246)	955,514
Retirement/Severance Bond Debt Service	94,698	937,700	889,150	-	143,248	888,717	888,257	-	143,708
Capital Projects	5,667,851	1,405,213	1,358,207	-	5,714,857	1,376,525	1,255,534	-	5,835,848
School Transportation	2,917,132	940,904	686,562	-	3,171,474	969,570	704,904	-	3,436,140
School Bus Replacement	197,327	240,801	233,048	-	205,080	247,323	177,004	-	275,399
Rainy Day	1,000,000	-	-	-	1,000,000	-	-	-	1,000,000
Retirement/Severance Bond	1,201,837	2,557	101,315	-	1,103,079	2,125	174,187	-	931,017
Construction	-	74	-	71,000	71,074	10,052	81,126	-	-
School Lunch	38,295	687,650	717,280	-	8,665	658,501	660,058	-	7,108
Textbook Rental	223,191	133,118	222,700	6,170	139,779	124,516	121,968	8,246	150,573
Self-Insurance	1,039,369	1,626,501	1,510,400	-	1,155,470	1,615,539	1,517,368	-	1,253,641
Child Care Program	7,162	20,000	21,907	-	5,255	21,000	23,974	-	2,281
Educational License Plates	2,563	56	-	-	2,619	56	-	-	2,675
Early Intervention Grant 11/12	(2,950)	2,950	-	-	-	-	-	-	-
Early Intervention Grant 12/13	-	-	-	-	-	4,930	6,633	-	(1,703)
Reading Recovery	5,787	-	1,138	-	4,649	-	2,487	-	2,162
Indiana Youth Institute	-	-	-	-	-	1,275	1,275	-	-
Community Foundation Marsh	880	-	880	-	-	-	-	-	-
Alcoa Donation	-	925	925	-	-	-	-	-	-
AEP Donation	-	1,545	1,545	-	-	-	-	-	-
O'boro Medical Health	-	-	-	-	-	200	120	-	80
S.I.N.E. Alternate Education	978	-	978	-	-	-	-	-	-
Fluoride	492	390	844	-	38	295	172	-	161
Samatovage Trust	57,637	6	-	-	57,643	6	-	-	57,649
Welborn Wellness Grant #1	6,945	-	5,322	-	1,623	-	1,623	-	-
Welborn Wellness Grant #2	-	27,315	18,007	-	9,308	-	4,773	-	4,535
Welborn Wellness Grant #3	-	-	-	-	-	39,120	32,391	-	6,729
Gifted Talented 11/12	-	30,022	29,492	-	530	-	530	-	-
Gifted Talented 12/13	781	-	781	-	-	29,995	27,721	-	2,274
Adult Education Reimbursable	(7,590)	14,435	6,845	-	-	-	-	-	-
Non-English Speaking Programs P.L. 273-1999	592	-	592	-	-	-	-	-	-
School Technology	9,279	5,910	14,080	-	1,109	8,462	8,255	-	1,316
Senator David Ford Technology	-	-	-	-	-	1,100	1,100	-	-
Title I 12/13	(6,095)	15,993	9,898	-	-	151,387	159,306	-	(7,919)
Title I 11/12	-	153,105	162,478	-	(9,373)	21,265	11,892	-	-
Special Education - Part B 12/13	-	-	-	-	-	70,000	70,000	-	-
Special Education - Part B 13/14	-	-	-	-	-	-	1,731	-	(1,731)
Team Nutrition Training Grants	-	500	137	-	363	-	363	-	-
Welborn Community Transformation	-	-	-	-	-	5,648	5,718	-	(70)
Medicaid Reimbursement - Federal	17,941	5,724	3,195	(1,797)	18,673	11,165	3,333	(2,796)	23,709
Improving Teaching Quality, No Child Left, Title II, Part A	752	57,247	62,471	-	(4,472)	49,338	47,629	-	(2,763)
Title I - Grants to LEAs	13	-	13	-	-	-	-	-	-
Special Education - Part B	7,670	1,238	8,908	-	-	-	-	-	-
Education Jobs	-	4,053	4,053	-	-	5,685	5,685	-	-
<b>Totals</b>	<b>\$ 16,554,991</b>	<b>\$ 16,732,772</b>	<b>\$ 17,013,980</b>	<b>\$ 71,000</b>	<b>\$ 16,344,783</b>	<b>\$ 16,624,848</b>	<b>\$ 17,034,828</b>	<b>\$ 4,154</b>	<b>\$ 15,938,957</b>

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

SOUTH SPENCER COUNTY 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, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, co-operatives, 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 may include the following sources:

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

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include 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 may include the following uses:

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

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows 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 may include the following:

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

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Transfers in which includes money 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 which includes money 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 money 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 money 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 March 1 (lien date) 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.

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State statutes authorize the School Corporation to invest in securities including, but not limited to, 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 an agent 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  
1 North Capital Street, 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.

SOUTH SPENCER COUNTY 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  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2013.

**Note 8. Holding Corporations**

The School Corporation has entered into capital leases with the South Spencer County Elementary School Building Corporation and the South Spencer County High School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the years 2011-2012 and 2012-2013 totaled \$1,476,000 and \$1,517,500, respectively.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are 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 supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 3,113,768	\$ 958,686	\$ 94,698	\$ 5,667,851	\$ 2,917,132	\$ 197,327	\$ 1,000,000	\$ 1,201,837	\$ -	\$ 38,295
Receipts:										
Local sources	124,776	1,554,168	937,700	1,393,903	937,324	240,801	-	2,557	74	297,741
Intermediate sources	225	-	-	-	-	-	-	-	-	-
State sources	8,737,671	-	-	-	-	-	-	-	-	7,774
Federal sources	-	-	-	-	-	-	-	-	-	382,135
Other	-	-	-	11,310	3,580	-	-	-	-	-
Total receipts	8,862,672	1,554,168	937,700	1,405,213	940,904	240,801	-	2,557	74	687,650
Disbursements:										
Current:										
Instruction	6,590,515	-	-	-	-	-	-	101,315	-	-
Support services	2,642,905	-	-	527,276	655,133	233,048	-	-	-	-
Noninstructional services	231,409	-	-	-	-	-	-	-	-	717,280
Facilities acquisition and construction	-	-	-	830,931	31,429	-	-	-	-	-
Debt services	-	1,476,000	889,150	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	9,464,829	1,476,000	889,150	1,358,207	686,562	233,048	-	101,315	-	717,280
Excess (deficiency) of receipts over disbursements	(602,157)	78,168	48,550	47,006	254,342	7,753	-	(98,758)	74	(29,630)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	71,000	-
Transfers in	1,797	-	-	-	-	-	-	-	-	-
Transfers out	-	(6,170)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,797	(6,170)	-	-	-	-	-	-	71,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(600,360)	71,998	48,550	47,006	254,342	7,753	-	(98,758)	71,074	(29,630)
Cash and investments - ending	\$ 2,513,408	\$ 1,030,684	\$ 143,248	\$ 5,714,857	\$ 3,171,474	\$ 205,080	\$ 1,000,000	\$ 1,103,079	\$ 71,074	\$ 8,665

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Textbook Rental	Self- Insurance	Child Care Program	Educational License Plates	Early Intervention Grant 11/12	Early Intervention Grant 12/13	Reading Recovery	Indiana Youth Institute	Community Foundation Marsh
Cash and investments - beginning	\$ 223,191	\$ 1,039,369	\$ 7,162	\$ 2,563	\$ (2,950)	\$ -	\$ 5,787	\$ -	\$ 880
Receipts:									
Local sources	81,092	1,626,501	20,000	-	-	-	-	-	-
Intermediate sources	-	-	-	56	-	-	-	-	-
State sources	52,026	-	-	-	2,950	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	133,118	1,626,501	20,000	56	2,950	-	-	-	-
Disbursements:									
Current:									
Instruction	-	-	21,907	-	-	-	-	-	880
Support services	222,700	839,400	-	-	-	-	1,138	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	671,000	-	-	-	-	-	-	-
Total disbursements	222,700	1,510,400	21,907	-	-	-	1,138	-	880
Excess (deficiency) of receipts over disbursements	(89,582)	116,101	(1,907)	56	2,950	-	(1,138)	-	(880)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	6,170	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	6,170	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(83,412)	116,101	(1,907)	56	2,950	-	(1,138)	-	(880)
Cash and investments - ending	\$ 139,779	\$ 1,155,470	\$ 5,255	\$ 2,619	\$ -	\$ -	\$ 4,649	\$ -	\$ -

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Alcoa Donation	AEP Donation	O'boro Medical Health	S.I.N.E. Alternate Education	Fluoride	Samatovage Trust	Welborn Wellness Grant #1	Welborn Wellness Grant #2	Welborn Wellness Grant #3
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 978	\$ 492	\$ 57,637	\$ 6,945	\$ -	\$ -
Receipts:									
Local sources	925	1,545	-	-	390	6	-	27,315	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	925	1,545	-	-	390	6	-	27,315	-
Disbursements:									
Current:									
Instruction	925	-	-	978	844	-	5,161	5,727	-
Support services	-	-	-	-	-	-	161	12,280	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	1,545	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	925	1,545	-	978	844	-	5,322	18,007	-
Excess (deficiency) of receipts over disbursements	-	-	-	(978)	(454)	6	(5,322)	9,308	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(978)	(454)	6	(5,322)	9,308	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 38	\$ 57,643	\$ 1,623	\$ 9,308	\$ -

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Gifted Talented 11/12	Gifted Talented 12/13	Adult Education Reimbursable	Non-English Speaking Programs P.L. 273-1999	School Technology	Senator David Ford Technology	Title I 12/13	Title I 11/12	Special Education Part B 12/13
Cash and investments - beginning	\$ -	\$ 781	\$ (7,590)	\$ 592	\$ 9,279	\$ -	\$ (6,095)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	30,022	-	14,435	-	5,910	-	-	-	-
Federal sources	-	-	-	-	-	-	15,993	153,105	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	30,022	-	14,435	-	5,910	-	15,993	153,105	-
Disbursements:									
Current:									
Instruction	29,492	781	6,845	592	-	-	9,898	158,200	-
Support services	-	-	-	-	14,080	-	-	4,278	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	29,492	781	6,845	592	14,080	-	9,898	162,478	-
Excess (deficiency) of receipts over disbursements	530	(781)	7,590	(592)	(8,170)	-	6,095	(9,373)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	530	(781)	7,590	(592)	(8,170)	-	6,095	(9,373)	-
Cash and investments - ending	\$ 530	\$ -	\$ -	\$ -	\$ 1,109	\$ -	\$ -	\$ (9,373)	\$ -

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Special Education Part B 13/14	Team Nutrition Traning Grants	Welborn Community Transformation	Medicaid Reimbursement Federal	Improving Teaching Quality No Child Left Title II, Part A	Title I Grants to LEAs	Special Education Part B	Education Jobs	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 17,941	\$ 752	\$ 13	\$ 7,670	\$ -	\$ 16,554,991
Receipts:									
Local sources	-	-	-	-	-	-	-	-	7,246,818
Intermediate sources	-	-	-	-	-	-	-	-	281
State sources	-	-	-	-	-	-	-	-	8,850,788
Federal sources	-	500	-	5,724	57,247	-	1,238	4,053	619,995
Other	-	-	-	-	-	-	-	-	14,890
Total receipts	-	500	-	5,724	57,247	-	1,238	4,053	16,732,772
Disbursements:									
Current:									
Instruction	-	137	-	-	49,181	13	8,908	4,053	6,996,352
Support services	-	-	-	3,195	13,290	-	-	-	5,168,884
Noninstructional services	-	-	-	-	-	-	-	-	948,689
Facilities acquisition and construction	-	-	-	-	-	-	-	-	863,905
Debt services	-	-	-	-	-	-	-	-	2,365,150
Nonprogrammed charges	-	-	-	-	-	-	-	-	671,000
Total disbursements	-	137	-	3,195	62,471	13	8,908	4,053	17,013,980
Excess (deficiency) of receipts over disbursements	-	363	-	2,529	(5,224)	(13)	(7,670)	-	(281,208)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	71,000
Transfers in	-	-	-	-	-	-	-	-	7,967
Transfers out	-	-	-	(1,797)	-	-	-	-	(7,967)
Total other financing sources (uses)	-	-	-	(1,797)	-	-	-	-	71,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	363	-	732	(5,224)	(13)	(7,670)	-	(210,208)
Cash and investments - ending	\$ -	\$ 363	\$ -	\$ 18,673	\$ (4,472)	\$ -	\$ -	\$ -	\$ 16,344,783

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 2,513,408	\$ 1,030,684	\$ 143,248	\$ 5,714,857	\$ 3,171,474	\$ 205,080	\$ 1,000,000	\$ 1,103,079	\$ 71,074	\$ 8,665
Receipts:										
Local sources	107,581	1,450,576	888,717	1,374,074	963,400	247,323	-	2,125	10,052	280,686
Intermediate sources	451	-	-	-	-	-	-	-	-	-
State sources	8,751,800	-	-	-	-	-	-	-	-	7,244
Federal sources	-	-	-	-	-	-	-	-	-	370,571
Other	645	-	-	2,451	6,170	-	-	-	-	-
Total receipts	8,860,477	1,450,576	888,717	1,376,525	969,570	247,323	-	2,125	10,052	658,501
Disbursements:										
Current:										
Instruction	6,755,827	-	-	-	-	-	-	169,995	-	-
Support services	2,536,129	-	-	582,355	704,904	177,004	-	4,192	-	-
Noninstructional services	228,255	-	-	-	-	-	-	-	-	660,058
Facilities acquisition and construction	-	-	-	566,533	-	-	-	-	81,126	-
Debt services	-	1,517,500	888,257	106,646	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	9,520,211	1,517,500	888,257	1,255,534	704,904	177,004	-	174,187	81,126	660,058
Excess (deficiency) of receipts over disbursements	(659,734)	(66,924)	460	120,991	264,666	70,319	-	(172,062)	(71,074)	(1,557)
Other financing sources (uses):										
Sale of capital assets	4,154	-	-	-	-	-	-	-	-	-
Transfers in	2,796	-	-	-	-	-	-	-	-	-
Transfers out	-	(8,246)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	6,950	(8,246)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(652,784)	(75,170)	460	120,991	264,666	70,319	-	(172,062)	(71,074)	(1,557)
Cash and investments - ending	\$ 1,860,624	\$ 955,514	\$ 143,708	\$ 5,835,848	\$ 3,436,140	\$ 275,399	\$ 1,000,000	\$ 931,017	\$ -	\$ 7,108

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Textbook Rental	Self- Insurance	Child Care Program	Educational License Plates	Early Intervention Grant 11/12	Early Intervention Grant 12/13	Reading Recovery	Indiana Youth Institute	Community Foundation Marsh
Cash and investments - beginning	\$ 139,779	\$ 1,155,470	\$ 5,255	\$ 2,619	\$ -	\$ -	\$ 4,649	\$ -	\$ -
Receipts:									
Local sources	76,230	1,615,539	21,000	-	-	-	-	1,275	-
Intermediate sources	-	-	-	56	-	-	-	-	-
State sources	48,286	-	-	-	-	4,930	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>124,516</u>	<u>1,615,539</u>	<u>21,000</u>	<u>56</u>	<u>-</u>	<u>4,930</u>	<u>-</u>	<u>1,275</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	23,974	-	-	6,633	-	1,275	-
Support services	121,968	2,180	-	-	-	-	2,487	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	1,515,188	-	-	-	-	-	-	-
Total disbursements	<u>121,968</u>	<u>1,517,368</u>	<u>23,974</u>	<u>-</u>	<u>-</u>	<u>6,633</u>	<u>2,487</u>	<u>1,275</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,548</u>	<u>98,171</u>	<u>(2,974)</u>	<u>56</u>	<u>-</u>	<u>(1,703)</u>	<u>(2,487)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	8,246	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>8,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>10,794</u>	<u>98,171</u>	<u>(2,974)</u>	<u>56</u>	<u>-</u>	<u>(1,703)</u>	<u>(2,487)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 150,573</u>	<u>\$ 1,253,641</u>	<u>\$ 2,281</u>	<u>\$ 2,675</u>	<u>\$ -</u>	<u>\$ (1,703)</u>	<u>\$ 2,162</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Alcoa Donation	AEP Donation	O'boro Medical Health	S.I.N.E. Alternate Education	Fluoride	Samatovage Trust	Welborn Wellness Grant #1	Welborn Wellness Grant #2	Welborn Wellness Grant #3
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 38	\$ 57,643	\$ 1,623	\$ 9,308	\$ -
Receipts:									
Local sources	-	-	200	-	295	6	-	-	39,120
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	200	-	295	6	-	-	39,120
Disbursements:									
Current:									
Instruction	-	-	120	-	172	-	1,623	3,113	19,577
Support services	-	-	-	-	-	-	-	1,660	12,814
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	120	-	172	-	1,623	4,773	32,391
Excess (deficiency) of receipts over disbursements	-	-	80	-	123	6	(1,623)	(4,773)	6,729
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 disbursements and other financing uses	-	-	80	-	123	6	(1,623)	(4,773)	6,729
Cash and investments - ending	\$ -	\$ -	\$ 80	\$ -	\$ 161	\$ 57,649	\$ -	\$ 4,535	\$ 6,729

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Gifted Talented 11/12	Gifted Talented 12/13	Adult Education Reimbursable	Non-English Speaking Programs P.L. 273-1999	School Technology	Senator David Ford Technology	Title I 12/13	Title I 11/12	Special Education Part B 12/13
Cash and investments - beginning	\$ 530	\$ -	\$ -	\$ -	\$ 1,109	\$ -	\$ -	\$ (9,373)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	29,995	-	-	8,462	1,100	-	-	-
Federal sources	-	-	-	-	-	-	151,387	21,265	70,000
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	29,995	-	-	8,462	1,100	151,387	21,265	70,000
Disbursements:									
Current:									
Instruction	530	27,721	-	-	-	1,100	154,860	11,892	-
Support services	-	-	-	-	8,255	-	4,446	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	70,000
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	530	27,721	-	-	8,255	1,100	159,306	11,892	70,000
Excess (deficiency) of receipts over disbursements	(530)	2,274	-	-	207	-	(7,919)	9,373	-
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 disbursements and other financing uses	(530)	2,274	-	-	207	-	(7,919)	9,373	-
Cash and investments - ending	\$ -	\$ 2,274	\$ -	\$ -	\$ 1,316	\$ -	\$ (7,919)	\$ -	\$ -

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Special Education Part B 13/14	Team Nutrition Traning Grants	Welborn Community Transformation	Medicaid Reimbursement Federal	Improving Teaching Quality No Child Left Title II, Part A	Title I Grants to LEAs	Special Education Part B	Education Jobs	Totals
Cash and investments - beginning	\$ -	\$ 363	\$ -	\$ 18,673	\$ (4,472)	\$ -	\$ -	\$ -	\$ 16,344,783
Receipts:									
Local sources	-	-	-	-	-	-	-	-	7,078,199
Intermediate sources	-	-	-	-	-	-	-	-	507
State sources	-	-	-	-	-	-	-	-	8,851,817
Federal sources	-	-	5,648	11,165	49,338	-	-	5,685	685,059
Other	-	-	-	-	-	-	-	-	9,266
Total receipts	-	-	5,648	11,165	49,338	-	-	5,685	16,624,848
Disbursements:									
Current:									
Instruction	-	363	-	-	40,356	-	-	5,685	7,224,816
Support services	1,731	-	5,718	3,333	7,273	-	-	-	4,176,449
Noninstructional services	-	-	-	-	-	-	-	-	888,313
Facilities acquisition and construction	-	-	-	-	-	-	-	-	717,659
Debt services	-	-	-	-	-	-	-	-	2,512,403
Nonprogrammed charges	-	-	-	-	-	-	-	-	1,515,188
Total disbursements	1,731	363	5,718	3,333	47,629	-	-	5,685	17,034,828
Excess (deficiency) of receipts over disbursements	(1,731)	(363)	(70)	7,832	1,709	-	-	-	(409,980)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	4,154
Transfers in	-	-	-	-	-	-	-	-	11,042
Transfers out	-	-	-	(2,796)	-	-	-	-	(11,042)
Total other financing sources (uses)	-	-	-	(2,796)	-	-	-	-	4,154
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,731)	(363)	(70)	5,036	1,709	-	-	-	(405,826)
Cash and investments - ending	\$ (1,731)	\$ -	\$ (70)	\$ 23,709	\$ (2,763)	\$ -	\$ -	\$ -	\$ 15,938,957

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Capital leases:				
South Spencer County Elementary School Building Corporation	Elementary Renovation	\$ 1,419,000	07-15-07	07-15-18
Bonds payable:				
General obligation bonds	Retirement/Severance Bonds	886,388	12-15-04	01-05-16
South Spencer County High School Building Corporation	High School Renovation	<u>98,000</u>	07-15-12	01-15-20
Total of annual lease payments		<u>\$ 2,403,388</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
Capital leases				
		Elementary Renovation	\$ 6,365,000	\$ 1,419,000
		General obligation bonds	2,045,000	886,388
		Other debt QZAB	<u>2,000,000</u>	<u>98,000</u>
Totals			<u>\$ 10,410,000</u>	<u>\$ 2,403,388</u>

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2013

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.

	Ending Balance
Governmental activities:	
Land	\$ 85,299
Buildings	32,931,050
Improvements other than buildings	400,111
Machinery, equipment, and vehicles	1,292,336
Transportation equipment	2,107,085
Total capital assets	\$ 36,815,881

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

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

We have audited the South Spencer County School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Opinion on 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 its major federal program for the period of July 1, 2011 to June 30, 2013.

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

***Report on Internal Control Over Compliance***

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on 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 OMB Circular A-133, 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 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

February 17, 2014

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2012 and 2013

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553		\$ 100,552	\$ -
		FY 11/12	-	95,952
		FY 12/13	-	-
Total for program			<u>100,552</u>	<u>95,952</u>
National School Lunch Program	10.555		320,869	-
		FY 11/12	-	313,161
		FY 12/13	-	-
Total for program			<u>320,869</u>	<u>313,161</u>
Total for cluster			<u>421,421</u>	<u>409,113</u>
Team Nutrition Grants	10.574	A58-2-12SS-0351	137	363
Total for federal grantor agency			<u>421,558</u>	<u>409,476</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010		9,897	-
		FY 11	162,478	11,891
		FY 12	-	159,307
		FY 13	-	-
Total for program			<u>172,375</u>	<u>171,198</u>

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

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2012 and 2013  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	7445	13	-
Total for cluster			<u>172,388</u>	<u>171,198</u>
Special Education Cluster				
Special Education Grants to States	84.027	7445	-	70,000
Pass-Through Dubois-Spencer-Perry Exceptional Children's Co-op				
Special Education Cluster				
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	7445	8,908	-
Total for cluster			<u>8,908</u>	<u>70,000</u>
Pass-Through Indiana Department of Education				
Improving Teacher Quality State Grants	84.367	11-7445	62,471	47,629
Education Jobs Fund				
	84.410	7445	4,053	5,685
Total for federal grantor agency			<u>247,820</u>	<u>294,512</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Welborn Baptist Foundation				
Community Transformation Grants - Small Communities Program	93.737	1H75DP004375-01	-	5,719
Total federal awards expended			<u>\$ 669,378</u>	<u>\$ 709,707</u>

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

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the South Spencer County School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
Child Nutrition Cluster:			
Food commodities:			
School Breakfast Program	10.553	\$ 10,637	\$ 11,293
National School Lunch Program	10.555	33,934	36,858



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

***Section II – Financial Statement Findings***

***FINDING 2013-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

No matters are reportable.

# South Spencer County School Corporation

P.O. Box 26  
Rockport, IN 47635  
Tel: 812-649-2591  
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Candis Haskell – Superintendent

[Candis.Haskell@sspencer.k12.in.us](mailto:Candis.Haskell@sspencer.k12.in.us)

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## CORRECTIVE ACTION PLAN

Contact Person: Candis Haskell, Superintendent

### **SECTION II FINANCIAL STATEMENT FINDINGS**

Finding 2013-1 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTS

#### **Lack of Segregation of Duties**

The South Spencer County School Corporation office appreciates the work of the auditor and the opportunity to address the audit findings. It is important to note the trend in the Indiana Schools across the state. The continual decrease of state and federal funding has created a requirement to engage in processes that meet the requirements of the law but not the wording of the law. Segregation of duties is the area most impacted by these decreases. It has become impractical to assume a small school has the financial resources to compete in attracting staff positions. The decrease in funds limits the ability to create positions with a level of pay consistent to the demand for required skill-sets.

To address this trend, the corporation has implemented many redundancies in the process flow to ensure any misstatement is quickly found and corrected. One example of this is the daily or per process of all funds, revenues, debts, and expenditures. As these processes have been in place through multiple audits, they are proven effective in spite of the lack of number of staffing positions suggested in order to satisfy the audit requirement.

Management acknowledges and assumes the risk inherent with the current set up of the business office. While the corporation has segregated duties to the extent it is financially capable, it now turns to the State and Federal governments for a viable answer to the growing issues reflected across the State of Indiana in all small schools.

## **Internal Controls**

Added scrutiny by the School Board and the Superintendent is accomplished monthly by the review of all claims, revenues, payrolls, and other financial reporting obligations. A Treasurer's Report is sent to the board which includes a reasonable explanation of the financial standing of the school and the ability for a reasonable person to detect misstatements in the areas addressed. The School Board will continue to exercise their oversight responsibility to minimize the risk of controls not operating effectively and provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner.

Respectfully Submitted,



Candis Haskell, Superintendent  
South Spencer County School Corporation

SOUTH SPENCER COUNTY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2014, with David Marx, Treasurer; Diane Parsley, former Treasurer; Candis Haskell, Superintendent of Schools; and Barbara Tuley, School Board member.

Separate telephone exit conferences were held with School Board members: David Hemmer, George Schwoeppe, Derek Allen, and Jeff Roberts.