

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

STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SPENCER-OWEN COMMUNITY SCHOOLS
OWEN COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
09/14/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Darla Thomas	07-01-12 to 12-31-16
Superintendent of Schools	Greg Linton (Vacant) Dr. Carrie Milner (interim) Brock Beeman (interim) Dr. Chad S. Briggs	07-01-12 to 09-25-14 09-26-14 to 09-28-14 09-29-14 to 01-22-15 01-23-15 to 02-15-15 02-16-15 to 06-30-18
President of the School Board	Jason Hale Tom Abrell Kevin Cooper	01-01-12 to 12-31-12 01-01-13 to 12-31-14 01-01-15 to 12-31-16



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SPENCER-OWEN COMMUNITY SCHOOLS, OWEN COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of Spencer-Owen Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, 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, 2012 to June 30, 2014.

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, 2012, to June 30, 2014, 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 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.


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 June 28, 2016, 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.


Paul D. Joyce, CPA
State Examiner

June 28, 2016



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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 SPENCER-OWEN COMMUNITY SCHOOLS, OWEN 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 Spencer-Owen Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated June 28, 2016, 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 2014-001 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 2014-001.

Spencer Owen Community School'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

June 28, 2016

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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.

SPENCER-OWEN COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

Fund	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 2,779,658	\$ 18,213,937	\$ 20,189,845	\$ 1,444,574	\$ 2,248,324	\$ 18,029,463	\$ 18,401,576	\$ -	\$ 1,876,211
Debt Service	1,168,853	4,535,630	3,598,315	-	2,106,168	3,333,680	3,560,161	-	1,879,687
Retirement/Severance Bond Debt Service	41,520	269,554	248,908	-	62,166	252,573	253,172	-	61,567
Capital Projects	1,218,455	1,921,034	1,404,070	(625,000)	1,110,419	1,649,184	1,516,039	(600,000)	643,564
School Transportation	1,073,061	2,395,373	2,167,303	(606,192)	694,939	2,102,029	2,184,906	(150,000)	462,062
School Bus Replacement	14,002	97,471	81,585	-	29,888	108,586	175,097	36,623	-
Rainy Day	1,400,001	-	-	(158,917)	1,241,084	75,000	496,189	804,126	1,624,021
School Lunch	365,575	1,099,108	1,236,861	-	227,822	1,053,762	1,139,444	-	142,140
Textbook Rental	344,403	298,048	330,653	-	311,798	285,816	260,747	-	336,867
Levy Excess	-	21,948	-	(21,948)	-	-	-	-	-
Educational License Plates	638	131	646	-	123	38	129	-	32
OVHS - PLTW (Gateway)	3,819	225	4,044	-	-	-	(1,634)	-	1,634
Library Donations	529	-	524	-	5	1,000	498	-	507
Wal-Mart Foundation	683	-	442	-	241	-	100	-	141
NEA Foundation - GES	500	-	-	-	500	-	-	-	500
Fuel Up To Play 60	-	-	-	-	-	5,733	4,836	-	897
OVHS Printing	1,891	518	126	-	2,283	324	-	-	2,607
OVHS - Goat Farm	3,936	9,944	7,015	-	6,865	4,535	6,834	-	4,566
IU Veteran's History - OVHS	2	-	-	-	2	-	2	-	-
Living To Serve - OVHS FFA	3,016	-	2,700	-	316	6,500	499	-	6,317
Owen County Drug Free - Elem.	147	-	147	-	-	-	-	-	-
OCCF - Health Services Fund	1,072	-	119	-	953	-	953	-	-
Extra-Curricular Activities	1,199	-	735	-	464	-	464	-	-
State Farm - Mission Ignition	28,686	-	16,166	-	12,520	-	4,857	-	7,663
REMC Round Up MCES 2013-14	-	-	-	-	-	4,150	1,273	-	2,877
LCC - Drug Free (J. Brush)	2,447	-	2,447	-	-	-	-	-	-
After School Programs	2,560	-	136	-	2,424	-	594	-	1,830
LCC Drug Free - MCES (2013)	-	2,000	1,006	-	994	-	994	-	-
Owen County LLC Drug Free	-	-	-	-	-	2,000	-	-	2,000
Tivoli Project	38	-	38	-	-	-	-	-	-
Reimbursable Fund	(273)	10,098	7,840	-	1,985	7,158	9,888	-	(745)
Boston Scientific - Science	211	-	-	-	211	-	163	-	48
GT High Ability 2011-12	3,413	-	3,413	-	-	-	-	-	-
GT High Ability 2012-13	-	35,947	32,901	-	3,046	-	3,046	-	-
GT High Ability 2013-14	-	-	-	-	-	35,886	34,934	-	952
Education Technology	-	319,914	318,686	(1,228)	-	-	-	-	-

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

SPENCER-OWEN COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014
(Continued)

Fund	Cash and	Receipts	Disbursements	Other	Cash and	Receipts	Disbursements	Other	Cash and
	Investments			Financing	Investments			Financing	Investments
	07-01-12			Sources (Uses)	06-30-13			Sources (Uses)	06-30-14
Drug Free Communities	409	-	-	-	409	-	108	-	301
Medicaid Reimbursement	1,338	3,492	4,828	-	2	60,911	54,142	-	6,771
Secured Schools Safety Grant	-	-	-	-	-	-	17,998	17,998	-
Safe Haven - MCES	5,414	-	4,519	-	895	-	889	-	6
Afternoons R.O.C.K. MCES 10-11	3,604	-	3,132	-	472	-	472	-	-
Afternoons R.O.C.K. MCES 11-12	16,283	5,000	13,559	-	7,724	-	7,336	-	388
Afternoons R.O.C.K. SES 11-12	12,297	-	12,297	-	-	-	-	-	-
Afternoons R.O.C.K. MCES 12-13	-	15,510	11,767	-	3,743	-	1,660	-	2,083
Afternoons R.O.C.K. SES 12-13	-	7,390	300	-	7,090	-	5,973	-	1,117
Safe Haven 2011-12	-	416	-	(416)	-	-	-	-	-
Safe Haven 2012-13	-	13,399	14,500	1,101	-	1,101	-	(1,101)	-
Safe Haven 2013-14	-	-	-	-	-	10,116	10,116	-	-
Afternoons R.O.C.K. SES	174	-	174	-	-	-	-	-	-
After School Programs SES	17,506	2,124	7,358	-	12,272	2,810	4,560	-	10,522
Non-English Speaking Programs P.L. 273-1999	318	-	-	-	318	-	-	-	318
State Connectivity Grant	1,109	4,317	4,241	-	1,185	4,313	4,317	-	1,181
Title I 2011-12	-	195,474	165,439	(30,035)	-	-	-	-	-
Title I 2012-13	-	349,319	431,884	82,565	-	188,338	105,773	(82,565)	-
Title I 2013-14	-	-	-	-	-	431,008	471,917	40,909	-
Title I School Improvement PES 2011-12	-	78,004	66,262	(11,742)	-	-	-	-	-
Special Education Improvement 2013	-	-	68,000	68,000	-	70,000	2,000	(68,000)	-
Learn & Serve Indiana	-	4,089	2,403	(1,686)	-	-	-	-	-
Special Education Improvement 2012	-	70,000	67,988	(2,012)	-	-	-	-	-
Adult Basic Education	42,030	-	-	-	42,030	-	-	-	42,030
Medicaid Reimbursement - Federal	105,994	9,209	10,199	-	105,004	116,786	40,181	-	181,609
Title II, Part A 2010-11	-	4,917	4,917	-	-	-	-	-	-
Title II, Part A 2011-13	-	95,765	85,181	(10,584)	-	17,447	10,677	(6,770)	-
Title II FY2012 2012-14	-	7,324	7,807	483	-	26,386	27,870	1,484	-
Title II FY 2013-15	-	-	-	-	-	-	234	234	-
Rural Schools and Low Income Program - Pass Through State	-	-	-	-	-	2,500	9,562	7,062	-
Education Jobs Stimulus	-	177,895	50,932	(126,963)	-	-	-	-	-
Payroll Withholdings	146,392	4,102,297	4,121,633	-	127,056	6,002,998	4,571,707	-	1,558,347
Prepaid School Lunch	9,291	2,429	1,810	-	9,910	1,384	2,964	-	8,330
Totals	\$ 8,822,201	\$ 34,379,250	\$ 34,817,801	\$ -	\$ 8,383,650	\$ 33,893,515	\$ 33,406,217	\$ -	\$ 8,870,948

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

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Local sources, 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.

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources, which includes 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, which includes 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.

Temporary loans, which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

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 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 include the following:

SPENCER-OWEN COMMUNITY SCHOOLS
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.

SPENCER-OWEN COMMUNITY SCHOOLS
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 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.

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains one fund, the Reimbursable Fund, with a deficit in cash as of June 30, 2014, as a result of the School Corporation not yet being reimbursed for extracurricular account obligations.

Note 8. Holding Corporations

The School Corporation has entered into a capital lease with Spencer-Owen Facility Improvement Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during fiscal years 2013 and 2014 totaled \$636,000 and \$636,000, respectively.

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

The School Corporation has entered into a capital lease with Owen Valley High School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during fiscal years 2013 and 2014 totaled \$530,000 and \$510,000, respectively.

Note 9. Anthem Settlement

On December 13, 2013, the School Corporation received a refund of \$1,968,397 from Anthem for 2013 runoff reserves. A memorandum of understanding, reached on September 30, 2013, between the School Corporation and Spencer-Owen Education Association stipulated that the runoff reserves would be used to fund deposits into the School Corporation's certified employees' Health Savings Accounts (HSA) in accordance with the 2013-2014 Collective Bargaining Agreement. The School Corporation also uses the refund to fund retirees', administrators', and classified employees' HSAs. As of June 30, 2014, \$1,476,147 remained in the Payroll Withholdings fund to be used for future contributions to HSAs.

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OTHER INFORMATION - UNAUDITED

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. Additionally, some financial information of the School Corporation can be found on the Gateway 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 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 other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

SPENCER-OWEN COMMUNITY SCHOOLS
 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
Cash and investments - beginning	\$ 2,779,658	\$ 1,168,853	\$ 41,520	\$ 1,218,455	\$ 1,073,061	\$ 14,002	\$ 1,400,001
Receipts:							
Local sources	640,134	4,535,630	269,554	1,873,414	2,395,373	97,471	-
Intermediate sources	2,344	-	-	-	-	-	-
State sources	17,509,536	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	47,140	-	-	-
Other receipts	61,923	-	-	480	-	-	-
Total receipts	<u>18,213,937</u>	<u>4,535,630</u>	<u>269,554</u>	<u>1,921,034</u>	<u>2,395,373</u>	<u>97,471</u>	<u>-</u>
Disbursements:							
Instruction	13,710,051	-	-	-	-	-	-
Support services	5,170,113	-	-	1,021,579	2,167,303	9,297	-
Noninstructional services	54,681	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	382,491	-	-	-
Debt services	1,255,000	3,598,315	248,908	-	-	72,288	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>20,189,845</u>	<u>3,598,315</u>	<u>248,908</u>	<u>1,404,070</u>	<u>2,167,303</u>	<u>81,585</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(1,975,908)</u>	<u>937,315</u>	<u>20,646</u>	<u>516,964</u>	<u>228,070</u>	<u>15,886</u>	<u>-</u>
Other financing sources (uses):							
Transfers in	1,494,836	-	-	-	23,808	-	-
Transfers out	(50,262)	-	-	(625,000)	(630,000)	-	(158,917)
Total other financing sources (uses)	<u>1,444,574</u>	<u>-</u>	<u>-</u>	<u>(625,000)</u>	<u>(606,192)</u>	<u>-</u>	<u>(158,917)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(531,334)</u>	<u>937,315</u>	<u>20,646</u>	<u>(108,036)</u>	<u>(378,122)</u>	<u>15,886</u>	<u>(158,917)</u>
Cash and investments - ending	<u>\$ 2,248,324</u>	<u>\$ 2,106,168</u>	<u>\$ 62,166</u>	<u>\$ 1,110,419</u>	<u>\$ 694,939</u>	<u>\$ 29,888</u>	<u>\$ 1,241,084</u>

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

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	OVHS - PLTW (Gateway)	Library Donations	Wal-Mart Foundation
Cash and investments - beginning	\$ 365,575	\$ 344,403	\$ -	\$ 638	\$ 3,819	\$ 529	\$ 683
Receipts:							
Local sources	383,192	167,472	-	-	-	-	-
Intermediate sources	-	-	-	131	225	-	-
State sources	8,720	130,326	21,948	-	-	-	-
Federal sources	707,196	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	250	-	-	-	-	-
Total receipts	<u>1,099,108</u>	<u>298,048</u>	<u>21,948</u>	<u>131</u>	<u>225</u>	<u>-</u>	<u>-</u>
Disbursements:							
Instruction	-	-	-	646	-	-	442
Support services	-	330,653	-	-	4,044	524	-
Noninstructional services	1,236,861	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>1,236,861</u>	<u>330,653</u>	<u>-</u>	<u>646</u>	<u>4,044</u>	<u>524</u>	<u>442</u>
Excess (deficiency) of receipts over disbursements	<u>(137,753)</u>	<u>(32,605)</u>	<u>21,948</u>	<u>(515)</u>	<u>(3,819)</u>	<u>(524)</u>	<u>(442)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(21,948)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(21,948)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(137,753)</u>	<u>(32,605)</u>	<u>-</u>	<u>(515)</u>	<u>(3,819)</u>	<u>(524)</u>	<u>(442)</u>
Cash and investments - ending	<u>\$ 227,822</u>	<u>\$ 311,798</u>	<u>\$ -</u>	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 241</u>

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

	NEA Foundation - GES	Fuel Up To Play 60	OVHS Printing	OVHS - Goat Farm	IU Veteran's History - OVHS	Living To Serve - OVHS FFA	Owen County Drug Free - Elem.
Cash and investments - beginning	\$ 500	\$ -	\$ 1,891	\$ 3,936	\$ 2	\$ 3,016	\$ 147
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	518	9,944	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	518	9,944	-	-	-
Disbursements:							
Instruction	-	-	126	7,015	-	2,700	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	147
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	126	7,015	-	2,700	147
Excess (deficiency) of receipts over disbursements	-	-	392	2,929	-	(2,700)	(147)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	392	2,929	-	(2,700)	(147)
Cash and investments - ending	\$ 500	\$ -	\$ 2,283	\$ 6,865	\$ 2	\$ 316	\$ -

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

	OCCF - Health Services Fund	Extra- Curricular Activities	State Farm - Mission Ignition	REMC Round Up MCES 2013-14	LCC - Drug Free (J. Brush)	After School Programs	LCC Drug Free - MCES (2013)
Cash and investments - beginning	\$ 1,072	\$ 1,199	\$ 28,686	\$ -	\$ 2,447	\$ 2,560	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	2,000
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	2,000
Disbursements:							
Instruction	-	685	16,166	-	-	136	1,006
Support services	119	50	-	-	-	-	-
Noninstructional services	-	-	-	-	2,447	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	119	735	16,166	-	2,447	136	1,006
Excess (deficiency) of receipts over disbursements	(119)	(735)	(16,166)	-	(2,447)	(136)	994
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(119)	(735)	(16,166)	-	(2,447)	(136)	994
Cash and investments - ending	\$ 953	\$ 464	\$ 12,520	\$ -	\$ -	\$ 2,424	\$ 994

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

	Owen County LLC Drug Free	Tivoli Project	Reimburseable Fund	Boston Scientific - Science	GT High Ability 2011-12	GT High Ability 2012-13	GT High Ability 2013-14
Cash and investments - beginning	\$ -	\$ 38	\$ (273)	\$ 211	\$ 3,413	\$ -	\$ -
Receipts:							
Local sources	-	-	9,016	-	-	-	-
Intermediate sources	-	-	1,082	-	-	-	-
State sources	-	-	-	-	-	35,947	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	10,098	-	-	35,947	-
Disbursements:							
Instruction	-	38	-	-	3,413	32,901	-
Support services	-	-	7,840	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	38	7,840	-	3,413	32,901	-
Excess (deficiency) of receipts over disbursements	-	(38)	2,258	-	(3,413)	3,046	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(38)	2,258	-	(3,413)	3,046	-
Cash and investments - ending	\$ -	\$ -	\$ 1,985	\$ 211	\$ -	\$ 3,046	\$ -

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

	Education Technology	Drug Free Communities	Medicaid Reimbursement	Secured Schools Safety Grant	Safe Haven - MCES	Afternoons R.O.C.K. MCES 10-11	Afternoons R.O.C.K. MCES 11-12
Cash and investments - beginning	\$ -	\$ 409	\$ 1,338	\$ -	\$ 5,414	\$ 3,604	\$ 16,283
Receipts:							
Local sources	-	-	-	-	-	-	5,000
Intermediate sources	-	-	-	-	-	-	-
State sources	319,914	-	3,492	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>319,914</u>	<u>-</u>	<u>3,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Disbursements:							
Instruction	-	-	-	-	4,519	3,132	13,559
Support services	318,686	-	4,828	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>318,686</u>	<u>-</u>	<u>4,828</u>	<u>-</u>	<u>4,519</u>	<u>3,132</u>	<u>13,559</u>
Excess (deficiency) of receipts over disbursements	<u>1,228</u>	<u>-</u>	<u>(1,336)</u>	<u>-</u>	<u>(4,519)</u>	<u>(3,132)</u>	<u>(8,559)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	<u>(1,228)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,228)</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>-</u>	<u>-</u>	<u>(1,336)</u>	<u>-</u>	<u>(4,519)</u>	<u>(3,132)</u>	<u>(8,559)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 409</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 895</u>	<u>\$ 472</u>	<u>\$ 7,724</u>

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

	Afternoons R.O.C.K. SES 11-12	Afternoons R.O.C.K. MCES 12-13	Afternoons R.O.C.K. SES 12-13	Safe Haven - 2011-12	Safe Haven - 2012-13	Safe Haven - 2013-14	Afternoons R.O.C.K. SES
Cash and investments - beginning	\$ 12,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174
Receipts:							
Local sources	-	15,510	7,390	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	416	13,399	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	15,510	7,390	416	13,399	-	-
Disbursements:							
Instruction	12,297	11,767	300	-	13,775	-	174
Support services	-	-	-	-	725	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	12,297	11,767	300	-	14,500	-	174
Excess (deficiency) of receipts over disbursements	(12,297)	3,743	7,090	416	(1,101)	-	(174)
Other financing sources (uses):							
Transfers in	-	-	-	-	10,633	-	-
Transfers out	-	-	-	(416)	(9,532)	-	-
Total other financing sources (uses)	-	-	-	(416)	1,101	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,297)	3,743	7,090	-	-	-	(174)
Cash and investments - ending	\$ -	\$ 3,743	\$ 7,090	\$ -	\$ -	\$ -	\$ -

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

	After School Programs SES	Non-English Speaking Programs P.L. 273-1999	State Connectivity Grant	Title I 2011-12	Title I 2012-13	Title I 2013-14	Title I School Improvement PES 2011-12
Cash and investments - beginning	\$ 17,506	\$ 318	\$ 1,109	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	2,124	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	4,317	-	-	-	-
Federal sources	-	-	-	195,474	349,319	-	78,004
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	2,124	-	4,317	195,474	349,319	-	78,004
Disbursements:							
Instruction	7,358	-	-	114,340	300,514	-	-
Support services	-	-	4,241	47,610	123,880	-	66,262
Noninstructional services	-	-	-	3,489	7,490	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	7,358	-	4,241	165,439	431,884	-	66,262
Excess (deficiency) of receipts over disbursements	(5,234)	-	76	30,035	(82,565)	-	11,742
Other financing sources (uses):							
Transfers in	-	-	-	-	115,065	-	-
Transfers out	-	-	-	(30,035)	(32,500)	-	(11,742)
Total other financing sources (uses)	-	-	-	(30,035)	82,565	-	(11,742)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,234)	-	76	-	-	-	-
Cash and investments - ending	\$ 12,272	\$ 318	\$ 1,185	\$ -	\$ -	\$ -	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 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 Improvement 2013	Learn & Serve Indiana	Special Education Improvement 2012	Adult Basic Education	Medicaid Reimbursement - Federal	Title II, Part A 2010-11	Title II, Part A 2011-13
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 42,030	\$ 105,994	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	4,089	70,000	-	9,209	4,917	95,765
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	4,089	70,000	-	9,209	4,917	95,765
Disbursements:							
Instruction	68,000	-	67,988	-	-	-	70,897
Support services	-	-	-	-	10,199	4,917	14,284
Noninstructional services	-	2,403	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	68,000	2,403	67,988	-	10,199	4,917	85,181
Excess (deficiency) of receipts over disbursements	(68,000)	1,686	2,012	-	(990)	-	10,584
Other financing sources (uses):							
Transfers in	68,000	-	-	-	-	-	14,999
Transfers out	-	(1,686)	(2,012)	-	-	-	(25,583)
Total other financing sources (uses)	68,000	(1,686)	(2,012)	-	-	-	(10,584)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	(990)	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 42,030	\$ 105,004	\$ -	\$ -

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

	Title II, FY2012 2012-14	Title II, FY 2013-15	Rural Schools and Low Income Program - Pass Through State	Education Jobs Stimulus	Payroll Withholdings	Prepaid School Lunch	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 146,392	\$ 9,291	\$ 8,822,201
Receipts:							
Local sources	-	-	-	-	-	-	10,403,280
Intermediate sources	-	-	-	-	-	-	14,244
State sources	-	-	-	-	-	-	18,048,015
Federal sources	7,324	-	-	177,895	-	-	1,699,192
Temporary loans	-	-	-	-	-	-	47,140
Other receipts	-	-	-	-	4,102,297	2,429	4,167,379
Total receipts	7,324	-	-	177,895	4,102,297	2,429	34,379,250
Disbursements:							
Instruction	-	-	-	50,932	-	-	14,514,877
Support services	7,807	-	-	-	-	-	9,314,961
Noninstructional services	-	-	-	-	-	-	1,307,518
Facilities acquisition and construction	-	-	-	-	-	-	382,491
Debt services	-	-	-	-	-	-	5,174,511
Nonprogrammed charges	-	-	-	-	4,121,633	1,810	4,123,443
Total disbursements	7,807	-	-	50,932	4,121,633	1,810	34,817,801
Excess (deficiency) of receipts over disbursements	(483)	-	-	126,963	(19,336)	619	(438,551)
Other financing sources (uses):							
Transfers in	483	-	-	-	-	-	1,727,824
Transfers out	-	-	-	(126,963)	-	-	(1,727,824)
Total other financing sources (uses)	483	-	-	(126,963)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	(19,336)	619	(438,551)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 127,056	\$ 9,910	\$ 8,383,650

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 2,248,324	\$ 2,106,168	\$ 62,166	\$ 1,110,419	\$ 694,939	\$ 29,888	\$ 1,241,084
Receipts:							
Local sources	641,557	3,333,680	252,573	1,648,956	2,102,029	108,586	75,000
Intermediate sources	2,008	-	-	-	-	-	-
State sources	17,310,070	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	75,828	-	-	228	-	-	-
Total receipts	<u>18,029,463</u>	<u>3,333,680</u>	<u>252,573</u>	<u>1,649,184</u>	<u>2,102,029</u>	<u>108,586</u>	<u>75,000</u>
Disbursements:							
Instruction	13,032,110	-	-	-	-	-	257,266
Support services	5,309,444	-	-	1,069,821	2,184,906	102,809	238,923
Noninstructional services	60,022	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	446,218	-	-	-
Debt services	-	3,560,161	253,172	-	-	72,288	-
Nonprogrammed Charges	-	-	-	-	-	-	-
Total disbursements	<u>18,401,576</u>	<u>3,560,161</u>	<u>253,172</u>	<u>1,516,039</u>	<u>2,184,906</u>	<u>175,097</u>	<u>496,189</u>
Excess (deficiency) of receipts over disbursements	<u>(372,113)</u>	<u>(226,481)</u>	<u>(599)</u>	<u>133,145</u>	<u>(82,877)</u>	<u>(66,511)</u>	<u>(421,189)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	36,623	947,996
Transfers out	-	-	-	(600,000)	(150,000)	-	(143,870)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(600,000)</u>	<u>(150,000)</u>	<u>36,623</u>	<u>804,126</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(372,113)</u>	<u>(226,481)</u>	<u>(599)</u>	<u>(466,855)</u>	<u>(232,877)</u>	<u>(29,888)</u>	<u>382,937</u>
Cash and investments - ending	<u>\$ 1,876,211</u>	<u>\$ 1,879,687</u>	<u>\$ 61,567</u>	<u>\$ 643,564</u>	<u>\$ 462,062</u>	<u>\$ -</u>	<u>\$ 1,624,021</u>

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	OVHS - PLTW (Gateway)	Library Donations	Wal-Mart Foundation
Cash and investments - beginning	\$ 227,822	\$ 311,798	\$ -	\$ 123	\$ -	\$ 5	\$ 241
Receipts:							
Local sources	349,767	154,365	-	-	-	1,000	-
Intermediate sources	-	-	-	38	-	-	-
State sources	7,942	131,151	-	-	-	-	-
Federal sources	696,053	-	-	-	-	-	-
Other receipts	-	300	-	-	-	-	-
Total receipts	<u>1,053,762</u>	<u>285,816</u>	<u>-</u>	<u>38</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Disbursements:							
Instruction	-	-	-	129	-	-	100
Support services	-	260,747	-	-	(1,634)	498	-
Noninstructional services	1,139,444	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-
Total disbursements	<u>1,139,444</u>	<u>260,747</u>	<u>-</u>	<u>129</u>	<u>(1,634)</u>	<u>498</u>	<u>100</u>
Excess (deficiency) of receipts over disbursements	<u>(85,682)</u>	<u>25,069</u>	<u>-</u>	<u>(91)</u>	<u>1,634</u>	<u>502</u>	<u>(100)</u>
Other financing sources (uses):							
Transfers in	4,194	-	-	-	-	-	-
Transfers out	<u>(4,194)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<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>(85,682)</u>	<u>25,069</u>	<u>-</u>	<u>(91)</u>	<u>1,634</u>	<u>502</u>	<u>(100)</u>
Cash and investments - ending	<u>\$ 142,140</u>	<u>\$ 336,867</u>	<u>\$ -</u>	<u>\$ 32</u>	<u>\$ 1,634</u>	<u>\$ 507</u>	<u>\$ 141</u>

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	NEA Foundation - GES	Fuel Up To Play 60	OVHS Printing	OVHS - Goat Farm	IU Veteran's History - OVHS	Living To Serve - OVHS FFA	Owen County Drug Free - Elem.
Cash and investments - beginning	\$ 500	\$ -	\$ 2,283	\$ 6,865	\$ 2	\$ 316	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	5,733	324	4,535	-	6,500	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	5,733	324	4,535	-	6,500	-
Disbursements:							
Instruction	-	4,836	-	6,834	2	499	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-
Total disbursements	-	4,836	-	6,834	2	499	-
Excess (deficiency) of receipts over disbursements	-	897	324	(2,299)	(2)	6,001	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	897	324	(2,299)	(2)	6,001	-
Cash and investments - ending	\$ 500	\$ 897	\$ 2,607	\$ 4,566	\$ -	\$ 6,317	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	OCCF - Health Services Fund	Extra- Curricular Activities	State Farm - Mission Ignition	REMC Round Up MCES 2013-14	LCC - Drug Free (J. Brush)	After School Programs	LCC Drug Free - MCES (2013)
Cash and investments - beginning	\$ 953	\$ 464	\$ 12,520	\$ -	\$ -	\$ 2,424	\$ 994
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	4,150	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	4,150	-	-	-
Disbursements:							
Instruction	-	464	4,857	1,273	-	594	994
Support services	953	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-
Total disbursements	953	464	4,857	1,273	-	594	994
Excess (deficiency) of receipts over disbursements	(953)	(464)	(4,857)	2,877	-	(594)	(994)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(953)	(464)	(4,857)	2,877	-	(594)	(994)
Cash and investments - ending	\$ -	\$ -	\$ 7,663	\$ 2,877	\$ -	\$ 1,830	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Owen County LLC Drug Free	Tivoli Project	Reimburseable Fund	Boston Scientific - Science	GT High Ability 2011-12	GT High Ability 2012-13	GT High Ability 2013-14
Cash and investments - beginning	\$ -	\$ -	\$ 1,985	\$ 211	\$ -	\$ 3,046	\$ -
Receipts:							
Local sources	2,000	-	7,093	-	-	-	-
Intermediate sources	-	-	65	-	-	-	-
State sources	-	-	-	-	-	-	35,886
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>2,000</u>	<u>-</u>	<u>7,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,886</u>
Disbursements:							
Instruction	-	-	-	-	-	3,046	34,934
Support services	-	-	9,888	163	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>9,888</u>	<u>163</u>	<u>-</u>	<u>3,046</u>	<u>34,934</u>
Excess (deficiency) of receipts over disbursements	<u>2,000</u>	<u>-</u>	<u>(2,730)</u>	<u>(163)</u>	<u>-</u>	<u>(3,046)</u>	<u>952</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,618
Transfers out	-	-	-	-	-	-	(1,618)
Total other financing sources (uses)	<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>2,000</u>	<u>-</u>	<u>(2,730)</u>	<u>(163)</u>	<u>-</u>	<u>(3,046)</u>	<u>952</u>
Cash and investments - ending	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ (745)</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 952</u>

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Education Technology	Drug Free Communities	Medicaid Reimbursement	Secured Schools Safety Grant	Safe Haven - MCES	Afternoons R.O.C.K. MCES 10-11	Afternoons R.O.C.K. MCES 11-12
Cash and investments - beginning	\$ -	\$ 409	\$ 2	\$ -	\$ 895	\$ 472	\$ 7,724
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	60,911	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	60,911	-	-	-	-
Disbursements:							
Instruction	-	108	-	-	889	472	7,336
Support services	-	-	54,142	17,998	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-
Total disbursements	-	108	54,142	17,998	889	472	7,336
Excess (deficiency) of receipts over disbursements	-	(108)	6,769	(17,998)	(889)	(472)	(7,336)
Other financing sources (uses):							
Transfers in	-	-	-	17,998	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	17,998	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(108)	6,769	-	(889)	(472)	(7,336)
Cash and investments - ending	\$ -	\$ 301	\$ 6,771	\$ -	\$ 6	\$ -	\$ 388

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Afternoons R.O.C.K. SES 11-12	Afternoons R.O.C.K. MCES 12-13	Afternoons R.O.C.K. SES 12-13	Safe Haven - 2011-12	Safe Haven - 2012-13	Safe Haven - 2013-14	Afternoons R.O.C.K. SES
Cash and investments - beginning	\$ -	\$ 3,743	\$ 7,090	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	1,101	10,116	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	1,101	10,116	-
Disbursements:							
Instruction	-	1,660	5,973	-	-	9,608	-
Support services	-	-	-	-	-	508	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-
Total disbursements	-	1,660	5,973	-	-	10,116	-
Excess (deficiency) of receipts over disbursements	-	(1,660)	(5,973)	-	1,101	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(1,101)	-	-
Total other financing sources (uses)	-	-	-	-	(1,101)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,660)	(5,973)	-	-	-	-
Cash and investments - ending	\$ -	\$ 2,083	\$ 1,117	\$ -	\$ -	\$ -	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	After School Programs SES	Non-English Speaking Programs P.L. 273-1999	State Connectivity Grant	Title I 2011-12	Title I 2012-13	Title I 2013-14	Title I School Improvement PES 2011-12
Cash and investments - beginning	\$ 12,272	\$ 318	\$ 1,185	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	2,810	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	4,313	-	-	-	-
Federal sources	-	-	-	-	188,338	431,008	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>2,810</u>	<u>-</u>	<u>4,313</u>	<u>-</u>	<u>188,338</u>	<u>431,008</u>	<u>-</u>
Disbursements:							
Instruction	4,560	-	-	-	59,708	358,518	-
Support services	-	-	4,317	-	44,533	113,274	-
Noninstructional services	-	-	-	-	1,532	125	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-
Total disbursements	<u>4,560</u>	<u>-</u>	<u>4,317</u>	<u>-</u>	<u>105,773</u>	<u>471,917</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(1,750)</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>82,565</u>	<u>(40,909)</u>	<u>-</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	73,093	-
Transfers out	-	-	-	-	(82,565)	(32,184)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(82,565)</u>	<u>40,909</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,750)</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 10,522</u>	<u>\$ 318</u>	<u>\$ 1,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Special Education Improvement 2013	Learn & Serve Indiana	Special Education Improvement 2012	Adult Basic Education	Medicaid Reimbursement - Federal	Title II, Part A 2010-11	Title II, Part A 2011-13
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 42,030	\$ 105,004	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	70,000	-	-	-	116,786	-	17,447
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,786</u>	<u>-</u>	<u>17,447</u>
Disbursements:							
Instruction	2,000	-	-	-	23,421	-	8,349
Support services	-	-	-	-	16,760	-	2,328
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-
Total disbursements	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,181</u>	<u>-</u>	<u>10,677</u>
Excess (deficiency) of receipts over disbursements	<u>68,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,605</u>	<u>-</u>	<u>6,770</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(68,000)	-	-	-	-	-	(6,770)
Total other financing sources (uses)	<u>(68,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,770)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,605</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,030</u>	<u>\$ 181,609</u>	<u>\$ -</u>	<u>\$ -</u>

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Title II, FY2012 2012-14	Title II, FY 2013-15	Rural Schools and Low Income Program - Pass Through State	Education Jobs Stimulus	Payroll Withholdings	Prepaid School Lunch	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 127,056	\$ 9,910	\$ 8,383,650
Receipts:							
Local sources	-	-	-	-	-	-	8,679,416
Intermediate sources	-	-	-	-	-	-	23,353
State sources	-	-	-	-	-	-	17,561,490
Federal sources	26,386	-	2,500	-	-	-	1,548,518
Other receipts	-	-	-	-	6,002,998	1,384	6,080,738
Total receipts	26,386	-	2,500	-	6,002,998	1,384	33,893,515
Disbursements:							
Instruction	-	-	7,062	-	-	-	13,837,602
Support services	27,870	234	2,500	-	-	-	9,460,982
Noninstructional services	-	-	-	-	-	-	1,201,123
Facilities acquisition and construction	-	-	-	-	-	-	446,218
Debt services	-	-	-	-	-	-	3,885,621
Nonprogrammed Charges	-	-	-	-	4,571,707	2,964	4,574,671
Total disbursements	27,870	234	9,562	-	4,571,707	2,964	33,406,217
Excess (deficiency) of receipts over disbursements	(1,484)	(234)	(7,062)	-	1,431,291	(1,580)	487,298
Other financing sources (uses):							
Transfers in	3,049	234	7,062	-	-	-	1,091,867
Transfers out	(1,565)	-	-	-	-	-	(1,091,867)
Total other financing sources (uses)	1,484	234	7,062	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	1,431,291	(1,580)	487,298
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 1,558,347	\$ 8,330	\$ 8,870,948

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SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 169,997</u>	<u>\$ 307,671</u>

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Spencer-Owen Facility Improvement Corporation	Construction/PES & GES	\$ 636,000	1/15/2010	1/15/2020
Owen Valley High School Building Corporation	Construction/OVHS	511,000	1/15/2013	1/15/2025
Dell Financial Services	Computers	35,683	7/16/2014	9/1/2018
Toshiba Business Solutions	Copy Machines/Copiers	<u>29,334</u>	8/27/2013	8/27/2018
Total governmental activities		<u>1,212,017</u>		
Total of annual lease payments		<u>\$ 1,212,017</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2011 Energy Conservation Pay-Off	\$ 315,668	\$ 315,668
General obligation bonds	2010 Qualified School Construction Bonds	1,436,125	187,150
General obligation bonds	Retirement/Severance Bonds	1,670,000	255,098
Notes and loans payable	Common School Loans	<u>14,962,190</u>	<u>1,846,978</u>
Total governmental activities		<u>18,383,983</u>	<u>2,604,894</u>
Totals		<u>\$ 18,383,983</u>	<u>\$ 2,604,894</u>

SPENCER-OWEN COMMUNITY SCHOOLS
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2014

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	\$ 291,000
Buildings	56,940,574
Improvements other than buildings	820,360
Machinery, equipment, and vehicles	3,009,842
Books and other	278,191
Total governmental activities	61,339,967
Total capital assets	\$ 61,339,967

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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 SPENCER-OWEN COMMUNITY SCHOOLS, OWEN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Spencer-Owen Community School'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 each of its major federal programs for the period of July 1, 2012 to June 30, 2014. 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 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 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 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 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, 2012 to June 30, 2014.

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 OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

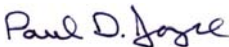
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002 and 2014-004 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.

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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

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	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	SY 12/13 SY 13/14	\$ 131,693 -	\$ - 140,627
Total for program				131,693	140,627
National School Lunch Program	Indiana Department of Education	10.555	SY 12/13 SY 13/14	646,750 -	- 626,009
Total for program				646,750	626,009
Total - Child Nutrition Cluster				778,443	766,636
Total - Department of Agriculture				778,443	766,636
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	12-6195 13-6195 14-6195 12-6195	195,474 464,384 - 78,004	- 188,338 431,008 -
Title I Basic School Improvement Grant				78,004	-
Total - Title I, Part A Cluster				737,862	619,346
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027	2012 2013	70,000 -	- 70,000
Special Education Improvement Award					
14212-065-PN01			14212-065-PN01	188,550	-
14213-065-PN01			14213-065-PN01	515,039	164,713
14214-065-PN01			14214-065-PN01	-	454,507

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

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014
(Continued)

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	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Education (continued)</u>					
Special Education Cluster (IDEA) (continued)					
99914-065-TA01			99914-065-TA01	-	2,663
Total - Special Education - Grants to States				<u>773,589</u>	<u>691,883</u>
Special Education - Preschool Grants	Indiana Department of Education	84.173			
45711-065-PN01			45711-065-PN01	543	-
45712-065-PN01			45712-065-PN01	5,977	1,321
45713-065-PN01			45713-065-PN01	-	14,675
45714-065-PN01			45714-065-PN01	-	20,689
Total - Special Education - Preschool Grants to States				<u>6,520</u>	<u>36,685</u>
Total - Special Education Cluster (IDEA)				<u>780,109</u>	<u>728,568</u>
Rural Education	Indiana Department of Education	84.358			
Rural and Low-Income Schools			FY13	-	2,500
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
Title II, Part A			11-6195	4,917	-
			12-6195	95,765	17,447
			13-6195	7,324	26,387
Total for program				<u>108,006</u>	<u>43,834</u>
Education Jobs Fund	Indiana Department of Education	84.410			
			SY 2013	177,895	-
Total - Department of Education				<u>1,803,872</u>	<u>1,394,248</u>
<u>Corporation for National and Community Service</u>					
Learn and Serve America - School & Community Based Programs	Indiana Department of Education	94.004	SY 2013	4,089	-
Total federal awards expended				<u>\$ 2,586,404</u>	<u>\$ 2,160,884</u>

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

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation 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 5-11-1-25), 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, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the SEFA.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 71,247	\$ 70,583

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster
Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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). Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could have remained undetected.

During the audit of the SEFA, there were amounts reported incorrectly for four programs, resulting in federal expenditures being underreported by \$623,715 for school year 2012-2013 and \$68,000 for school year 2013-2014. In addition, seven out of eight federal program names were incorrectly reported. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - INTERNAL CONTROL OVER CHILD NUTRITION CLUSTER

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): SY 12/13, SY 13/14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements that have a direct and material effect on the programs: Cash Management, Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Applications and Paid Lunch Equity.

A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Cash Management

The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure that the monthly cash balances of the School Lunch fund did not exceed the average expenditures for three months.

Eligibility

The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure that students' eligibility for free and reduced lunches was properly determined in compliance with program requirements. One person was solely responsible for inputting applications into the software system that determined student eligibility. An oversight or review process had not been established to ensure that the eligibility determinations were accurate.

Program Income

The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure that program income was being accurately documented. Reconciliations or reviews of collections were not being prepared to ensure that amounts were accurate.

Reporting

The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure that required reports were accurately prepared. The School Lunch Director prepared and submitted the monthly Sponsor Claims (claims for reimbursement) and the Annual Financial Reports electronically via the Indiana Department of Education website. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the information submitted was complete and accurate.

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Special Tests and Provisions - Verification of Free and Reduced Applications

The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure that free and reduced meal applications were verified. There was no segregation of duties, such as an oversight, review, or an approval process.

Special Tests and Provisions - Paid Lunch Equity

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the paid lunch equity calculations were correct.

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed.

FINDING 2014-003 - REPORTING

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): SY12/13, SY13/14
Pass-Through Entity: Indiana Department of Education

The Indiana Department of Education (IDOE) required that the School Corporation file an Annual Financial Report at the end of each program year. Reports were submitted to IDOE by the School Corporation for school years 2012-2013 and 2013-2014 as required; however, testing of the reports revealed the following discrepancies:

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- Total income and expenses reported did not agree with the ledger.
- Classifications of income and expenses were incorrect.
- Expenses were reported as indirect costs; however, these were actually administrative payroll expenses charged directly to the grant.
- Federal reimbursements reported for 2013-2014 were the total amount claimed for reimbursement instead of the actual cash received during the fiscal year.
- Ending cash balances reported for 2012-2013 and 2013-2014 were overstated by \$18,232 and \$43,427, respectively.

OMB Circular A-133 Subpart C - Auditees Section .300 Auditee responsibilities states in part: "The auditee shall: . . . (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs. . . ."

The State Agency Sponsor Agreement for Child Nutrition Program states in part: "Program Administration. The Sponsor agrees to comply with all applicable laws, regulations, guidelines, and amendments thereto"

The *Indiana Department of Education Sponsor Training Manual for School Nutrition Programs - Sponsor & Site Claims*, Version 1.0, August 2003, Chapter P, states in part:

"At the end of each program year, each sponsor must submit an annual financial report that summarizes its financial participation in the School Nutrition Program. This report requires your organization to provide total amounts for income and expenses, and requires you to provide account and depreciation information."

Noncompliance of the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

We recommended that the School Corporation implement procedures to ensure the accuracy of reporting to Indiana Department of Education and to comply with the Reporting requirements of the programs.

FINDING 2014-004 - INTERNAL CONTROL OVER THE SPECIAL EDUCATION CLUSTER

Federal Agency: Department of Education

Federal Programs: Special Education - Grants to Schools, Special Education - Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-065-PN01, 14213-065-PN01,
14214-065-PN01, 45712-065-PN01,
45713-065-PN01, 45714-065-PN01,
999914-065-TA01

Pass-Through Entity: Indiana Department of Education

The School Corporation was a member of the Forest Hills Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program and managed the Special Education grant funds.

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management of the Cooperative had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements that have a direct and material effect on the programs: Cash Management, Period of Availability, and Reporting.

Cash Management, Reporting

The Cooperative had not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared. One employee was solely responsible for preparing and submitting all required reports. There was no segregation of duties, such as an oversight, review, or approval process.

Period of Availability

The Cooperative had not designed or implemented adequate policies or procedures to ensure that adjustments made to the ledger for corrections of amounts expended were properly made. One employee was solely responsible for making the adjustments. There was no segregation of duties, such as an oversight, review, or approval process.

The failure to establish an effective internal control system placed the Cooperative at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

We recommended that the School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.

Spencer-Owen Community Schools

205 East Hillside Avenue, Spencer, Indiana 47460 Phone 812-829-2233 Fax 812-829-6614

"All Spencer-Owen Community Schools students will learn, achieve, and succeed."

Board Members:

Kevin Cooper, *President*
Amber Willen, *Vice President*
Rick Smeltzer, *Secretary*
Larry Hight, *Secretary Pro Tem*
Jack White
Sonia Brinson
Brian Mauder

Administration:

Dr. Chad S. Briggs, *Superintendent*
Brock Beeman, *Curriculum Director*

CORRECTIVE ACTION PLAN

Finding 2014-001

Contact Person Responsible for Corrective Action: Darla Thomas, Treasurer
Contact Phone Number: 812-829-2233

When the Schedule of Federal Awards is prepared for the FY2015, the Treasurer will go to the Federal Clearing House website to verify that each and every fund title reported agrees with the school corporation report. After reviewing the FCH, the Treasurer will make sure all programs are reported accurately by name and CFDA number.

Once the Schedule of Federal Awards is prepared, the Treasurer will have the Superintendent and Curriculum Director review the schedule for accuracy before it is submitted. A copy of the schedule will be printed, signed by the three involved, and retained for future audits.

This correction plan of action will begin with the July 1, 2015 reporting.

Date: June 28, 2016

Signed: Darla Thomas
Darla Thomas, Treasurer

Signed: Chad S. Briggs
Dr. Chad S. Briggs, Superintendent

Spencer-Owen Community Schools

205 East Hillside Avenue, Spencer, Indiana 47460 Phone 812-829-2233 Fax 812-829-6614

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Brian Mauder

Administration:

Dr. Chad S. Briggs, *Superintendent*
Brock Beeman, *Curriculum Director*

CORRECTIVE ACTION PLAN

Finding 2014-002

Contact Person Responsible for Corrective Action: Darla Thomas, Treasurer
Contact Phone Number: 812-829-2233

Cash Management

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the monthly cash balances of the school lunch fund were maintained in compliance with the Cash Management requirement.

The Corporation Treasurer will give the Food Service Director and assistant a detailed listing of daily cash deposits per building each month. These cash balances will be reviewed by the Food Service Director or Assistant and compared with month end reporting for accuracy.

All shared accounts were dissolved as of June 5, 2015 and SOCS Food Service will no longer allow shared accounts in the future to assist with reporting errors.

Eligibility

The School Corporation has not designed or implemented adequate policies and procedures to ensure that student's eligibility for free and reduced lunches is properly determined in compliance with program requirements. One person is solely responsible for inputting applications into the computer software system which determines eligibility. An oversight or review process has not been established to ensure accurate eligibility determinations.

The Food Service Assistant will process applications using the corporation's software system. Upon completion, the Deputy Treasurer or Food Service Director will review a random selection of applications to check for accuracy. Once reviewed, they will be initialed and dated by the Deputy Treasurer or Food Service Director verifying that they are correct.

Program Income

Reconciliations are not being prepared daily at each of the cafeterias comparing the daily sales report to actual cash deposits. Discrepancies should be identified and reported daily.

The Food Service Assistant will provide a spreadsheet to the Unit Leader of each cafeteria that is to be completed daily. They will record the actual deposit amount and the total cash recorded in the software system. Both totals should match. They will turn this report in to the Food Service Assistant weekly for verification. The spreadsheets will be initialed and dated by all parties.

Reporting

The School Corporation has not designed or implemented adequate policies and procedures to ensure that required reports were accurately prepared. The school lunch Director prepared and submits the monthly reimbursement requests and the Annual Financial Report electronically via DOE website. These reports are not verified by anyone prior to submission.

The Food Service Assistant will prepare the monthly reimbursement and annual report. The Food Service Director or Deputy Treasurer will verify accuracy before the report is submitted to the DOE. Copies of the report will be initialed and dated by both parties.

Verification

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the verification of free and reduced meal applications was completed as required. There was no segregation of duties, such as an oversight review or approval process.

The Food Service Assistant will complete annual verification of Free/Reduced Applications. The Deputy Treasurer will review for accuracy. The reports will be initialed and dated.

Paid Lunch Equity

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the paid lunch equity calculations were performed as required.

The Food Service Assistant will complete the Paid Lunch Equity calculator annually and submit the completed report to the Superintendent for review.

Date: June 28, 2016

Signed: Olivia M Weyer
Olivia Weyer, Aramark/ Food Service Director

Signed: Chad S. Briggs
Dr. Chad S. Briggs, Superintendent

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Administration:

Dr. Chad S. Briggs, *Superintendent*
Brock Beeman, *Curriculum Director*

CORRECTIVE ACTION PLAN

Finding 2014-003

Contact Person Responsible for Corrective Action: Darla Thomas, Treasurer
Contact Phone Number: 812-829-2233

Reporting

Starting with the annual report for 2014-2015, the Food Service Assistant will record the five partial office wage expenditures as payroll, a direct cost, not an indirect cost.

The Food Service Assistant will make sure the Annual Financial Report for Food Services matches the June 30th report from the Treasurer before submitting the final report.

Date: June 28, 2016

Signed: _____

Olivia M. Weyer

Olivia Weyer, Aramark/Food Service Director

Signed: _____

Chad S. Briggs

Dr. Chad S. Briggs, Superintendent

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Administration:

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Brock Beeman, *Curriculum Director*

CORRECTIVE ACTION PLAN

Finding 2014-004

Contact Person Responsible for Corrective Action: Darla Thomas, Treasurer
Chad Briggs, Superintendent

Contact Phone Number: 812-829-2233

INTERNAL CONTROLS OVER THE SPECIAL EDUCATION CLUSTER

The Treasurer and Superintendent will work with the Forest Hills Special Education Cooperative to ensure that they establish internal controls over cash management, reporting, and period of availability.

Anticipated Completion Date: Immediately

Date: June 28, 2016

Signed: Darla Thomas
Darla Thomas, Treasurer

Signed: Chad S. Briggs
Dr. Chad S. Briggs, Superintendent

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/>.