

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTH SPENCER COUNTY
SCHOOL CORPORATION
SPENCER COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
08/16/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement	12-17
Other Information - Unaudited: Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-29
Schedule of Payables and Receivables	30
Schedule of Leases and Debt	31
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	34-36
Schedule of Expenditures of Federal Awards and Accompanying Notes: Schedule of Expenditures of Federal Awards.....	38-39
Notes to Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41-52
Auditee-Prepared Document: Corrective Action Plan	54-57
Other Reports.....	58

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Patti Jones	07-01-13 to 07-09-13
	Diane Parsley	07-10-13 to 09-30-13
	David Marx	10-01-13 to 11-30-14
	Melissa S. Davis	12-01-14 to 06-30-17
Superintendent of Schools	Candis Haskell	07-01-13 to 06-30-15
	Mike Robinson	07-01-15 to 06-30-16
	Richard Rutherford	07-01-16 to 06-30-17
President of the School Board	David Hemmer	01-01-13 to 12-31-13
	Jeff Roberts	01-01-14 to 12-31-14
	Steve Haaff	01-01-15 to 12-31-15
	Matt Bunner	01-01-16 to 12-31-16
	Scott Richard	01-01-17 to 12-31-17



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the South Spencer County School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2013 to June 30, 2015.

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, 2013 to June 30, 2015, 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, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2017, 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 8, 2017



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the South Spencer County School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated June 8, 2017, 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 a material weakness.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, 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 from 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 2015-001.

South Spencer County School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

June 8, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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SOUTH SPENCER COUNTY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 1,860,624	\$ 8,395,815	\$ 8,656,710	\$ 855	\$ 1,600,584	\$ 8,362,862	\$ 8,380,511	\$ 1,814	\$ 1,584,749
Debt Service	955,514	1,468,846	1,519,500	(23,875)	880,985	1,517,218	1,519,500	(14,228)	864,475
Retirement/Severance Bond Debt Service	143,708	906,742	880,650	-	169,800	818,272	881,451	-	106,621
Capital Projects	5,835,848	1,395,712	1,671,333	-	5,560,227	1,899,509	1,388,351	(450,000)	5,621,385
School Transportation	3,436,140	1,021,174	711,001	(200,000)	3,546,313	817,341	669,564	-	3,694,090
School Bus Replacement	275,399	256,039	166,726	-	364,712	160,551	45	-	525,218
Rainy Day	1,000,000	-	39,993	200,000	1,160,007	-	287,330	500,000	1,372,677
Retirement/Severance Bond	931,017	1,400	596,088	-	336,329	1,174	16,169	-	321,334
School Lunch	7,108	647,037	653,076	-	1,069	702,316	700,084	-	3,301
Textbook Rental	150,573	119,286	92,310	23,875	201,424	109,908	92,707	14,228	232,853
Self-Insurance	1,253,641	1,555,716	1,702,686	-	1,106,671	1,484,241	1,230,665	-	1,360,247
Child Care Program	2,281	27,500	29,797	-	(16)	32,100	31,993	-	91
Educational License Plates	2,675	38	-	-	2,713	18	-	-	2,731
Early Intervention Grant	-	3,062	4,451	-	(1,389)	5,183	3,794	-	-
Early Intervention Grant 12/13	(1,703)	1,703	-	-	-	7,080	7,080	-	-
Reading Recovery	2,162	-	834	-	1,328	-	-	-	1,328
Graphing Calculator Project	-	-	-	-	-	6,380	-	-	6,380
Toyota Grant	-	-	-	-	-	1,000	470	-	530
O'boro Medical Health	80	-	80	-	-	-	-	-	-
Fluoride	161	388	582	-	(33)	294	-	-	261
Scholarships and Awards	57,649	6	-	-	57,655	6	-	-	57,661
Miscellaneous Programs	-	-	-	-	-	1,200	1,200	-	-
Welborn Wellness Grant #2	4,535	-	4,535	-	-	-	-	-	-
Welborn Wellness Grant #3	6,729	-	6,651	-	78	-	78	-	-
Welborn Wellness Grant #4	-	1,250	706	-	544	238	657	(125)	-
Welborn Wellness Grant #5	-	-	-	-	-	1,375	1,348	125	152
Gifted Talented 13/14	-	29,944	29,944	-	-	-	-	-	-
Gifted Talented 12/13	2,274	-	2,274	-	-	30,440	25,391	-	5,049
Secured Schools Safety Grant	-	-	-	-	-	50,000	-	(50,000)	-
Recreational Activities	-	400	-	-	400	-	400	-	-
School Technology	1,316	5,009	3,752	-	2,573	9,387	-	-	11,960
Title I FY 12/13	(7,919)	20,645	12,726	-	-	-	-	-	-
Title I FY 13/14	-	145,361	148,263	-	(2,902)	20,725	17,823	-	-
Title I FY 14/15	-	-	-	-	-	136,542	145,174	-	(8,632)
Special Education - Part B 13/14	(1,731)	4,393	2,662	-	-	-	-	-	-
Nutritional Grant - State	-	200	200	-	-	-	-	-	-
Welborn Community Transformation	(70)	5,801	5,941	-	(210)	210	-	-	-
Medicaid Reimbursement - Federal	23,709	22,025	3,401	(855)	41,478	21,872	3,416	(1,814)	58,120
Improving Teaching Quality, No Child Left, Title II, Part A	(2,763)	50,439	50,778	-	(3,102)	64,122	67,040	-	(6,020)
Payroll Clearing	(49,702)	3,129,983	3,093,004	-	(12,723)	3,039,945	3,029,648	-	(2,426)
Totals	\$ 15,889,255	\$ 19,215,914	\$ 20,090,654	\$ -	\$ 15,014,515	\$ 19,301,509	\$ 18,501,889	\$ -	\$ 15,814,135

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

SOUTH SPENCER COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

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

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

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's 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.

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

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

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. Two of the funds are a result of those funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30. The Payroll Clearing fund deficit balances are because reimbursements for payroll expenditures were not received from the School Lunch Extra-Curricular Account by June 30.

Note 8. Restatement

For the year ended June 30, 2014, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of June 30, 2013	Prior Period Adjustment	Balance as of July 1, 2013
Payroll Clearing	\$ -	\$ (49,702)	\$ (49,702)

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

Note 9. *Holding Corporations*

The School Corporation has entered into capital leases with the South Spencer County Elementary School Building Corporation and the South Spencer County High School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related-parties of the School Corporation. Lease payments during the years 2013-2014 and 2014-2015 totaled \$1,519,500 and \$1,519,500, respectively.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the 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 School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

SOUTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 1,860,624	\$ 955,514	\$ 143,708	\$ 5,835,848	\$ 3,436,140	\$ 275,399	\$ 1,000,000	\$ 931,017	\$ 7,108
Receipts:									
Local sources	108,088	1,468,846	906,742	1,395,499	1,021,172	256,039	-	1,400	282,394
Intermediate sources	451	-	-	-	-	-	-	-	-
State sources	8,287,276	-	-	-	-	-	-	-	7,197
Federal sources	-	-	-	-	-	-	-	-	357,446
Other receipts	-	-	-	213	2	-	-	-	-
Total receipts	<u>8,395,815</u>	<u>1,468,846</u>	<u>906,742</u>	<u>1,395,712</u>	<u>1,021,174</u>	<u>256,039</u>	<u>-</u>	<u>1,400</u>	<u>647,037</u>
Disbursements:									
Instruction	6,071,362	-	-	-	-	-	-	596,088	-
Support services	2,372,573	-	-	816,840	710,892	166,726	39,993	-	-
Noninstructional services	212,775	-	-	-	-	-	-	-	653,076
Facilities acquisition and construction	-	-	-	810,008	109	-	-	-	-
Debt services	-	1,519,500	880,650	44,485	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>8,656,710</u>	<u>1,519,500</u>	<u>880,650</u>	<u>1,671,333</u>	<u>711,001</u>	<u>166,726</u>	<u>39,993</u>	<u>596,088</u>	<u>653,076</u>
Excess (deficiency) of receipts over disbursements	<u>(260,895)</u>	<u>(50,654)</u>	<u>26,092</u>	<u>(275,621)</u>	<u>310,173</u>	<u>89,313</u>	<u>(39,993)</u>	<u>(594,688)</u>	<u>(6,039)</u>
Other financing sources (uses):									
Transfers in	855	-	-	-	-	-	200,000	-	-
Transfers out	-	(23,875)	-	-	(200,000)	-	-	-	-
Total other financing sources (uses)	<u>855</u>	<u>(23,875)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(260,040)</u>	<u>(74,529)</u>	<u>26,092</u>	<u>(275,621)</u>	<u>110,173</u>	<u>89,313</u>	<u>160,007</u>	<u>(594,688)</u>	<u>(6,039)</u>
Cash and investments - ending	<u>\$ 1,600,584</u>	<u>\$ 880,985</u>	<u>\$ 169,800</u>	<u>\$ 5,560,227</u>	<u>\$ 3,546,313</u>	<u>\$ 364,712</u>	<u>\$ 1,160,007</u>	<u>\$ 336,329</u>	<u>\$ 1,069</u>

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

	Textbook Rental	Self- Insurance	Child Care Program	Educational License Plates	Early Intervention Grant	Early Intervention Grant 12/13	Reading Recovery	Graphing Calculator Project
Cash and investments - beginning	\$ 150,573	\$ 1,253,641	\$ 2,281	\$ 2,675	\$ -	\$ (1,703)	\$ 2,162	\$ -
Receipts:								
Local sources	73,677	1,555,716	27,500	-	-	-	-	-
Intermediate sources	-	-	-	38	-	-	-	-
State sources	45,609	-	-	-	3,062	1,703	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	119,286	1,555,716	27,500	38	3,062	1,703	-	-
Disbursements:								
Instruction	-	-	29,797	-	4,451	-	-	-
Support services	92,310	37	-	-	-	-	834	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	1,702,649	-	-	-	-	-	-
Total disbursements	92,310	1,702,686	29,797	-	4,451	-	834	-
Excess (deficiency) of receipts over disbursements	26,976	(146,970)	(2,297)	38	(1,389)	1,703	(834)	-
Other financing sources (uses):								
Transfers in	23,875	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	23,875	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	50,851	(146,970)	(2,297)	38	(1,389)	1,703	(834)	-
Cash and investments - ending	\$ 201,424	\$ 1,106,671	\$ (16)	\$ 2,713	\$ (1,389)	\$ -	\$ 1,328	\$ -

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

	Toyota Grant	O'boro Medical Health	Fluoride	Scholarships and Awards	Miscellaneous Programs	Welborn Wellness Grant #2	Welborn Wellness Grant #3	Welborn Wellness Grant #4
Cash and investments - beginning	\$ -	\$ 80	\$ 161	\$ 57,649	\$ -	\$ 4,535	\$ 6,729	\$ -
Receipts:								
Local sources	-	-	388	6	-	-	-	1,250
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	388	6	-	-	-	1,250
Disbursements:								
Instruction	-	80	582	-	-	4,535	6,592	-
Support services	-	-	-	-	-	-	59	706
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	80	582	-	-	4,535	6,651	706
Excess (deficiency) of receipts over disbursements	-	(80)	(194)	6	-	(4,535)	(6,651)	544
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	-	(80)	(194)	6	-	(4,535)	(6,651)	544
Cash and investments - ending	\$ -	\$ -	\$ (33)	\$ 57,655	\$ -	\$ -	\$ 78	\$ 544

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

	Welborn Wellness Grant #5	Gifted Talented 13/14	Gifted Talented 12/13	Secured Schools Safety Grant	Recreational Activities	School Technology	Title I FY 12/13	Title I FY 13/14
Cash and investments - beginning	\$ -	\$ -	\$ 2,274	\$ -	\$ -	\$ 1,316	\$ (7,919)	\$ -
Receipts:								
Local sources	-	-	-	-	400	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	29,944	-	-	-	5,009	-	-
Federal sources	-	-	-	-	-	-	20,645	145,361
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	29,944	-	-	400	5,009	20,645	145,361
Disbursements:								
Instruction	-	29,944	2,274	-	-	-	9,776	144,110
Support services	-	-	-	-	-	3,752	2,950	4,153
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	29,944	2,274	-	-	3,752	12,726	148,263
Excess (deficiency) of receipts over disbursements	-	-	(2,274)	-	400	1,257	7,919	(2,902)
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	-	-	(2,274)	-	400	1,257	7,919	(2,902)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 400	\$ 2,573	\$ -	\$ (2,902)

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

	Title I FY 14/15	Special Education - Part B 13/14	Nutritional Grant - State	Welborn Community Transformation	Medicaid Reimbursement - Federal	Improving Teaching Quality, No Child Left, Title II, Part A	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ (1,731)	\$ -	\$ (70)	\$ 23,709	\$ (2,763)	\$ (49,702)	\$ 15,889,255
Receipts:								
Local sources	-	-	-	-	-	-	-	7,099,117
Intermediate sources	-	-	-	-	-	-	-	489
State sources	-	-	-	-	-	-	-	8,379,800
Federal sources	-	4,393	200	5,801	22,025	50,439	-	606,310
Other receipts	-	-	-	-	-	-	3,129,983	3,130,198
Total receipts	-	4,393	200	5,801	22,025	50,439	3,129,983	19,215,914
Disbursements:								
Instruction	-	1,400	-	-	-	44,342	-	6,945,333
Support services	-	743	-	5,941	3,401	6,436	-	4,228,346
Noninstructional services	-	-	200	-	-	-	-	866,051
Facilities acquisition and construction	-	519	-	-	-	-	-	810,636
Debt services	-	-	-	-	-	-	-	2,444,635
Nonprogrammed charges	-	-	-	-	-	-	3,093,004	4,795,653
Total disbursements	-	2,662	200	5,941	3,401	50,778	3,093,004	20,090,654
Excess (deficiency) of receipts over disbursements	-	1,731	-	(140)	18,624	(339)	36,979	(874,740)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	224,730
Transfers out	-	-	-	-	(855)	-	-	(224,730)
Total other financing sources (uses)	-	-	-	-	(855)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,731	-	(140)	17,769	(339)	36,979	(874,740)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (210)	\$ 41,478	\$ (3,102)	\$ (12,723)	\$ 15,014,515

SOUTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 1,600,584	\$ 880,985	\$ 169,800	\$ 5,560,227	\$ 3,546,313	\$ 364,712	\$ 1,160,007	\$ 336,329	\$ 1,069
Receipts:									
Local sources	83,928	1,517,218	818,272	1,892,419	811,999	160,551	-	1,174	313,169
Intermediate sources	226	-	-	-	-	-	-	-	-
State sources	8,278,708	-	-	-	-	-	-	-	7,137
Federal sources	-	-	-	-	-	-	-	-	382,010
Other receipts	-	-	-	7,090	5,342	-	-	-	-
Total receipts	<u>8,362,862</u>	<u>1,517,218</u>	<u>818,272</u>	<u>1,899,509</u>	<u>817,341</u>	<u>160,551</u>	<u>-</u>	<u>1,174</u>	<u>702,316</u>
Disbursements:									
Instruction	5,985,424	-	-	-	-	-	-	13,256	-
Support services	2,162,494	-	-	736,210	669,041	45	287,330	2,913	-
Noninstructional services	232,593	-	-	-	-	-	-	-	700,084
Facilities acquisition and construction	-	-	-	616,565	523	-	-	-	-
Debt services	-	1,519,500	881,451	35,576	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>8,380,511</u>	<u>1,519,500</u>	<u>881,451</u>	<u>1,388,351</u>	<u>669,564</u>	<u>45</u>	<u>287,330</u>	<u>16,169</u>	<u>700,084</u>
Excess (deficiency) of receipts over disbursements	<u>(17,649)</u>	<u>(2,282)</u>	<u>(63,179)</u>	<u>511,158</u>	<u>147,777</u>	<u>160,506</u>	<u>(287,330)</u>	<u>(14,995)</u>	<u>2,232</u>
Other financing sources (uses):									
Transfers in	1,814	-	-	50,000	-	-	500,000	-	-
Transfers out	-	(14,228)	-	(500,000)	-	-	-	-	-
Total other financing sources (uses)	<u>1,814</u>	<u>(14,228)</u>	<u>-</u>	<u>(450,000)</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(15,835)</u>	<u>(16,510)</u>	<u>(63,179)</u>	<u>61,158</u>	<u>147,777</u>	<u>160,506</u>	<u>212,670</u>	<u>(14,995)</u>	<u>2,232</u>
Cash and investments - ending	<u>\$ 1,584,749</u>	<u>\$ 864,475</u>	<u>\$ 106,621</u>	<u>\$ 5,621,385</u>	<u>\$ 3,694,090</u>	<u>\$ 525,218</u>	<u>\$ 1,372,677</u>	<u>\$ 321,334</u>	<u>\$ 3,301</u>

SOUTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Textbook Rental	Self- Insurance	Child Care Program	Educational License Plates	Early Intervention Grant	Early Intervention Grant 12/13	Reading Recovery	Graphing Calculator Project
Cash and investments - beginning	\$ 201,424	\$ 1,106,671	\$ (16)	\$ 2,713	\$ (1,389)	\$ -	\$ 1,328	\$ -
Receipts:								
Local sources	64,946	1,484,241	32,100	-	-	-	-	6,380
Intermediate sources	-	-	-	18	-	-	-	-
State sources	44,962	-	-	-	5,183	7,080	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	109,908	1,484,241	32,100	18	5,183	7,080	-	6,380
Disbursements:								
Instruction	-	-	31,993	-	917	6,563	-	-
Support services	92,707	-	-	-	2,877	517	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	1,230,665	-	-	-	-	-	-
Total disbursements	92,707	1,230,665	31,993	-	3,794	7,080	-	-
Excess (deficiency) of receipts over disbursements	17,201	253,576	107	18	1,389	-	-	6,380
Other financing sources (uses):								
Transfers in	14,228	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	14,228	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	31,429	253,576	107	18	1,389	-	-	6,380
Cash and investments - ending	\$ 232,853	\$ 1,360,247	\$ 91	\$ 2,731	\$ -	\$ -	\$ 1,328	\$ 6,380

SOUTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Toyota Grant	O'boro Medical Health	Fluoride	Scholarships and Awards	Miscellaneous Programs	Welborn Wellness Grant #2	Welborn Wellness Grant #3	Welborn Wellness Grant #4
Cash and investments - beginning	\$ -	\$ -	\$ (33)	\$ 57,655	\$ -	\$ -	\$ 78	\$ 544
Receipts:								
Local sources	1,000	-	294	6	-	-	-	238
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	1,200	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	1,000	-	294	6	1,200	-	-	238
Disbursements:								
Instruction	470	-	-	-	-	-	-	-
Support services	-	-	-	-	1,200	-	78	657
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	470	-	-	-	1,200	-	78	657
Excess (deficiency) of receipts over disbursements	530	-	294	6	-	-	(78)	(419)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(125)
Total other financing sources (uses)	-	-	-	-	-	-	-	(125)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	530	-	294	6	-	-	(78)	(544)
Cash and investments - ending	\$ 530	\$ -	\$ 261	\$ 57,661	\$ -	\$ -	\$ -	\$ -

SOUTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Welborn Wellness Grant #5	Gifted Talented 13/14	Gifted Talented 12/13	Secured Schools Safety Grant	Recreational Activities	School Technology	Title I FY 12/13	Title I FY 13/14
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 400	\$ 2,573	\$ -	\$ (2,902)
Receipts:								
Local sources	1,375	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	30,440	50,000	-	9,387	-	-
Federal sources	-	-	-	-	-	-	-	20,725
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>1,375</u>	<u>-</u>	<u>30,440</u>	<u>50,000</u>	<u>-</u>	<u>9,387</u>	<u>-</u>	<u>20,725</u>
Disbursements:								
Instruction	-	-	25,391	-	-	-	-	7,159
Support services	1,348	-	-	-	-	-	-	10,664
Noninstructional services	-	-	-	-	400	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>1,348</u>	<u>-</u>	<u>25,391</u>	<u>-</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>17,823</u>
Excess (deficiency) of receipts over disbursements	<u>27</u>	<u>-</u>	<u>5,049</u>	<u>50,000</u>	<u>(400)</u>	<u>9,387</u>	<u>-</u>	<u>2,902</u>
Other financing sources (uses):								
Transfers in	125	-	-	-	-	-	-	-
Transfers out	-	-	-	(50,000)	-	-	-	-
Total other financing sources (uses)	<u>125</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>152</u>	<u>-</u>	<u>5,049</u>	<u>-</u>	<u>(400)</u>	<u>9,387</u>	<u>-</u>	<u>2,902</u>
Cash and investments - ending	<u>\$ 152</u>	<u>\$ -</u>	<u>\$ 5,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,960</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Title I FY 14/15	Special Education - Part B 13/14	Nutritional Grant - State	Welborn Community Transformation	Medicaid Reimbursement - Federal	Improving Teaching Quality, No Child Left, Title II, Part A	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (210)	\$ 41,478	\$ (3,102)	\$ (12,723)	\$ 15,014,515
Receipts:								
Local sources	-	-	-	-	-	75	-	7,189,385
Intermediate sources	-	-	-	-	-	-	-	244
State sources	-	-	-	-	-	-	-	8,434,097
Federal sources	136,542	-	-	210	21,872	64,047	-	625,406
Other receipts	-	-	-	-	-	-	3,039,945	3,052,377
Total receipts	136,542	-	-	210	21,872	64,122	3,039,945	19,301,509
Disbursements:								
Instruction	140,871	-	-	-	-	54,348	-	6,266,392
Support services	4,303	-	-	-	3,416	12,692	-	3,988,492
Noninstructional services	-	-	-	-	-	-	-	933,077
Facilities acquisition and construction	-	-	-	-	-	-	-	617,088
Debt services	-	-	-	-	-	-	-	2,436,527
Nonprogrammed charges	-	-	-	-	-	-	3,029,648	4,260,313
Total disbursements	145,174	-	-	-	3,416	67,040	3,029,648	18,501,889
Excess (deficiency) of receipts over disbursements	(8,632)	-	-	210	18,456	(2,918)	10,297	799,620
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	566,167
Transfers out	-	-	-	-	(1,814)	-	-	(566,167)
Total other financing sources (uses)	-	-	-	-	(1,814)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,632)	-	-	210	16,642	(2,918)	10,297	799,620
Cash and investments - ending	\$ (8,632)	\$ -	\$ -	\$ -	\$ 58,120	\$ (6,020)	\$ (2,426)	\$ 15,814,135

SOUTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 174,716</u>	<u>\$ 29,989</u>

SOUTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Apple Inc.	Middle School - iPad lease agreement	\$ 29,643	6/22/2013	6/22/2016
South Spencer County High School Building Corporation	Improvement to High School	49,000	12/14/2011	1/15/2020
South Spencer County Elementary School Building Corporation	Elementary Renovations	<u>710,000</u>	7/15/2007	7/15/2018
Total governmental activities		<u>788,643</u>		
Total of annual lease payments		<u>\$ 788,643</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Tax anticipation warrants	Fund Pension Liability Costs	<u>\$ 425,000</u>	<u>\$ 435,413</u>
Totals		<u>\$ 425,000</u>	<u>\$ 435,413</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the South Spencer County School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2013 to June 30, 2015. 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. Except as discussed in the following paragraph, 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.

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in item 2015-006 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with Title I Grants to Local Educational Agencies regarding Eligibility. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

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

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of Title I Grants to Local Educational Agencies regarding Eligibility, described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the period of July 1, 2013 to June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2013 to June 30, 2015.

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 items 2015-003, 2015-004, 2015-005, and 2015-007. 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

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

deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002, 2015-005, 2015-006, and 2015-007 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

June 8, 2017

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.

SOUTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2014 and 2015

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	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
Department of Agriculture							
Child Nutrition Cluster	Indiana Department of Education						
School Breakfast Program		10.553					
School Breakfast Program			FY 13/14	\$ -	\$ 82,176	\$ -	\$ -
School Breakfast Program			FY 14/15	-	-	-	89,713
Total - School Breakfast Program				-	82,176	-	89,713
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 13/14	-	276,931	-	-
School Lunch Program			FY 14/15	-	-	-	287,061
School Lunch Program - Commodities			FY 13/14	-	45,863	-	-
School Lunch Program - Commodities			FY 14/15	-	-	-	44,031
Total - National School Lunch Program				-	322,794	-	331,092
Total - Child Nutrition Cluster				-	404,970	-	420,805
Total - Department of Agriculture				-	404,970	-	420,805
Department of Education							
Special Education Cluster (IDEA)	Indiana Department of Education	84.027					
Special Education_Grants to States			EDS# A58-3-13DL-1417	-	4,393	-	-
			14213011PN01	-	143,440	-	13,459
			14214011PN01	-	147,513	-	132,259
			14215011PN01	-	-	-	129,200
			99914011TA01	-	4,010	-	2,391
Total - Special Education_Grants to States				-	299,356	-	277,309
Special Education_Preschool Grants	Indiana Department of Education	84.173					
			45713011PN01	-	6,530	-	-
			45714011PN01	-	5,637	-	7,019
			45715011PN01	-	-	-	5,156
Total - Special Education_Preschool Grants				-	12,167	-	12,175
Total - Special Education Cluster (IDEA)				-	311,523	-	289,484

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

SOUTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2014 and 2015
(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	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<u>Department of Education (continued)</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			FY 12/13	-	20,645	-	-
			FY 13/14	-	145,361	-	20,724
			FY 14/15	-	-	-	136,542
				-	-	-	-
Total - Title I Grants to Local Educational Agencies				-	166,006	-	157,266
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
			FY 12/13	-	33,573	-	-
			FY 13/14	-	16,866	-	39,278
			FY 14/15	-	-	-	24,769
				-	-	-	-
Total - Improving Teacher Quality State Grants				-	50,439	-	64,047
Total - Department of Education				-	527,968	-	510,797
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
			FY 13/14	-	22,025	-	-
			FY 14/15	-	-	-	21,872
				-	-	-	-
Total - Medicaid Cluster				-	22,025	-	21,872
PPHF: Community Transformation Grants -Small Communities Program financed solely by Public Prevention and Health Funds Welborn Wellness Grant	Welborn Baptist Foundation	93.737	2012SBHP018	-	5,941	-	-
Assistance Programs for Chronic Disease Prevention and Control State Public Health Actions Wellness Grant	Indiana Department of Education	93.945	A70-5-071076	-	-	-	1,200
				-	-	-	-
Total - Department of Health and Human Services				-	27,966	-	23,072
Total federal awards expended				\$ -	\$ 960,904	\$ -	\$ 954,674

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2014 and 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 3. Exceptional Children's Co-op

The School Corporation is a member of the Exceptional Children's Co-op (Cooperative). The Cooperative operates the Special Education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the Schedule of Expenditures of Federal Awards is not presented as receipts and disbursements in the financial statement of the School Corporation.

SOUTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified for Title I Grants to Local Educational Agencies; Unmodified for all other major programs
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:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2015-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matter

Condition

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

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

The following errors were identified on the SEFA: four federal grants were omitted, commodities for the National School Lunch Program were omitted, four grants had incorrect amounts reported, four grants had incorrect program titles and pass-through entities, and two grants that were included were state funds. In total, the SEFA was overstated by \$15,512,790 for the audit period.

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

Criteria

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

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

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

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

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.

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

- (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."

Cause

Management had not established a system of internal control that would have ensured accurate and complete reporting of the federal expenditures on the SEFA.

Effect

The failure to establish a proper system of internal control enabled material misstatements of the SEFA to occur.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-002

Subject: 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): FY 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Procurement and Suspension and Debarment, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Condition

Management of the School Corporation had not established an effective internal control system to ensure compliance with the following compliance requirements: Cash Management, Eligibility, Procurement and Suspension and Debarment, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity.

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

Cash Management

An effective internal control system was not in place to ensure that the balance in the School Lunch fund, which is the net cash resources, did not exceed the three months average expenditures.

Eligibility

An effective internal control system was not in place to ensure that eligibility determinations were made correctly. Application information was entered into the cafeteria software, which automatically made the determination dependent on the information entered into the system. There was no segregation of duties, such as an oversight, review, or approval process to ensure the information was correctly entered into the system.

Procurement and Suspension and Debarment

An effective internal control system was not in place to ensure that contracts were entered into with the successful bidders and that suspension and debarment verifications were completed.

Reporting

An effective internal control system was not in place to ensure that the monthly Sponsor Claims (claims for reimbursement), Annual Financial Reports, and School Food Authority (SFA) Verification Collection Reports were accurately prepared and submitted. There was no segregation of duties, such as an oversight, review, or approval process.

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

An effective internal control system was not in place to ensure that verification of free and reduced price applications was completed. There was no segregation of duties, such as an oversight, review, or approval process.

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

An effective internal control system was not in place to ensure that the paid lunch prices were established in accordance with the weighted-average paid lunch price calculations.

Context

This was a systemic problem within the School Breakfast Program and National School Lunch Program. Controls did not exist over the compliance requirements listed above during the audit period.

Criteria

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. . . ."

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

Cause

Management had not developed a system of internal controls, including segregation of duties, which would have ensured that the School Corporation complied with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system could have enabled material noncompliance with the grant agreement and the compliance requirements to occur.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-003

Subject: Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 13/14, FY 14/15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Finding: Other Matter

Condition

The Food Service Director was unaware of the requirements for Procurement and Suspension and Debarment, therefore, the School Corporation did not verify that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to accepting the quote.

Context

The School Corporation had not verified that the food service vendors were not suspended and debarred prior to accepting the quote.

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

Criteria

2 CFR 180.300 states:

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

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

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish controls enabled material noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no question costs identified.

Recommendation

We recommended that the School Corporation establish controls and implement procedures to comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2015-004

Subject: Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 13/14, FY 14/15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Other Matter

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

Condition

The School Corporation was required to determine whether its paid lunch price required adjustments.

Context

The weighted average paid lunch price required to be charged for the 2013-2014 school year to comply with the Special Tests and Provisions - Paid Lunch Equity requirements was \$2.59. According to the School Corporation's calculations the weighted average paid lunch price was \$1.86. The School Corporation did not increase paid lunch prices for the 2013-2014 school year and did not provide additional non-federal funds.

Criteria

7 CFR 210.14(e) states in part:

". . . (3) *Average lunch price is lower than the reimbursement difference.* When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:

(i) 2 percent; and

(ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Special Tests and Provisions - Paid Lunch Equity requirements.

Effect

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

Questioned Costs

There were no question costs identified.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

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

Views of Responsible Officials

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

FINDING 2015-005

Subject: Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): FY 12/13, FY 13/14, FY 14/15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness and Other Matter

Condition

Management of the School Corporation had not established an effective internal control system that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation had not maintained the documentation necessary to support the employees' salaries and wages charged to the federal program. For those employees that were paid entirely from the Title I Grants to Local Educational Agencies program, the School Corporation did not maintain any Semi-Annual Certifications. For employees that had a portion of their wages paid from the Title I Grants to Local Educational Agencies program, some employees had Personnel Activity Reports; however, Personnel Activity Reports were not completed properly. Employee's timesheets did not match the Personnel Activity Reports and some employees did not maintain Personnel Activity Reports.

Context

There were no Semi-Annual Certifications completed in the 2013-2014 and the 2014-2015 school years. Personnel Activity Reports were either not maintained or were maintained incorrectly for all employees in the 2013-2014 and the 2014-2015 school years.

Criteria

OMB Circular A-87, Attachment B, Section 8h, states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,

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

- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases,
or
- (e) An unallowable activity and a direct or indirect cost 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. . . ."

Cause

Management had not developed a system of internal controls that that would have ensured that the School Corporation complied with the Allowable Costs/Cost Principles requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedure to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles requirements.

Views of Responsible Officials

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

FINDING 2015-006

Subject: Eligibility

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): FY 12/13, FY 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Audit Findings: Material Weakness and Other Matter

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

Condition

Management of the School Corporation had not established an effective internal control system that would have ensured compliance with the grant agreement and the Eligibility compliance requirement.

The School Corporation did not maintain the documentation necessary to support the eligibility of students served under this federal program at South Spencer Middle School.

Context

There was no audit evidence available for all South Spencer Middle School students to determine if an assessment/worksheet was prepared to support that the student should have been served under the program.

Criteria

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. . . ."

2 CFR 200.333 states in part:

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

Cause

Management had not developed a system of internal controls that would have insured that the School Corporation maintained and made available for audit the documentation necessary to support the eligibility of students served under this federal program.

Effect

The failure to establish effective internal controls that would have ensured that documentation was maintained and available for audit prevented the determination of the School Corporation's compliance with the grant agreement and the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to ensure that Eligibility determination records are maintained and are available for audit.

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

Views of Responsible Officials

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

FINDING 2015-007

Subject: Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14213011PN01, 14214011PN01,
14215011PN01, 99914011TA01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness and Other Matter

Condition

The School Corporation was a member of the Exceptional Children's Co-op (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds.

Management of the Cooperative had not established an effective internal control system, to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The Cooperative's Director signed the Application and Assurance Plan as a Condition of Federal Assistance, which stated that the Cooperative would check subcontractors to ensure they were not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal agency or by any department, agency, or political subdivision of the State of Indiana. However, the Cooperative did not have procedures in place to verify that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to entering into a contract with them.

Context

During the 2014-2015 school year, there were two contracts entered into that exceeded \$25,000. The Cooperative did not verify that the vendors were not suspended or debarred prior to awarding the contracts.

Criteria

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. . . ."

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

2 CFR 180.300 states:

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

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

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the Procurement and Suspension and Debarment requirements.

Effect

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

Questioned Costs

There were no question costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment requirements listed above.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENT

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



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Richard Rutherford - Superintendent

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CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Richard Rutherford
Contact Phone Number: 812-649-2591

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Treasurer will prepare the SEFA and the Superintendent will review it to ensure it is accurate and complete.

Anticipated Completion Date: Immediate

FINDING 2015-002

Contact Person Responsible for Corrective Action: Richard Rutherford
Contact Phone Number: 812-649-2591

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

After Food Service Director has completed monthly reconciliation of School lunch funds, the Treasurer will sign-off on documents to ensure that cash balance do not exceed average expenditures for three months.

All applications will be copied and organized in files for the school year. An employee from the kitchen staff will be asked to help (as needed) with applications during the first of the school year when applications are coming in daily.

Claims- Kitchen managers will be asked to run the reports needed for claims. Food Service Director will train on this procedure. Food Service Director will enter claims and make copies paperwork for files. Kitchen managers will sign off on order for frozen foods, dry goods, and produce before sending to Food Service Director. Food Service Director will place the orders. All invoices will be signed by Kitchen Managers.

When paying for supplies Food Service Director will prepare checks for signing by Superintendent. All paperwork is available if there are questions concerning account payables.

Tammy Small is the confirmation officer for the Verification process. She checks over the applications pulled for verification and signs off on them. Files are kept on verification, and as of my last SMI audit in 2016, everything is in order.

Food Service Director and Treasurer will keep records of successful bidders. Verification concerning suspension and debarment will be completed by Food Service Director and confirmed by Treasurer.

Food Service Director will work closely with Treasurer to ensure the Annual Financial reports are prepared correctly and are submitted in a timely manner.

Food Service Director will work with Deputy Treasurer to ensure paid lunch prices are confirmed and determined by using the paid equity tool supplied by the National School Lunch Program

Anticipated Completion Date: Immediate

FINDING 2015-003

Contact Person Responsible for Corrective Action: Richard Rutherford
Contact Phone Number: 812-649-2591

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

As of 2015/2016 School year a new bid, process has been in place. Suspension and Debarment criteria was added to bid and a procurement plan is in place.

Anticipated Completion Date: Immediate

FINDING 2015-004

Contact Person Responsible for Corrective Action: Richard Rutherford
Contact Phone Number: 812-649-2591

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Food Service Director has had training on the Price Equity Tool. This is to ensure that paid lunches and non-Federal source contributions meet requirements put forth in Section 205 of the Healthy, Hunger-Free Act of 2010.

The South Spencer Board of Education will approve price increases.

Anticipated Completion Date: Immediate

FINDING 2015-005

Contact Person Responsible for Corrective Action: Richard Rutherford
Contact Phone Number: 812-649-2591

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Title I Administrator will monitor and collect all semiannual certificates, time and effort logs. The records will be kept on file at the corporation office. Each building will also keep a copy on file.

Anticipated Completion Date: Immediate

FINDING 2015-006

Contact Person Responsible for Corrective Action: Richard Rutherford
Contact Phone Number: 812-649-2591

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Title I Administrator will assist each building administrator in the identification of eligible students. The records will be kept on file at the corporation office. Each building will also keep a copy on file.

Anticipated Completion Date: Immediate

FINDING 2015-007

Contact Person Responsible for Corrective Action: Richard Rutherford
Contact Phone Number: 812-649-2591

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

As a member of the Board of the Exceptional Children's Co-op, the Superintendent will ensure that the Exceptional Children's Co-op verifies that vendors are not suspended or debarred from participation in federal assistance programs prior to awarding contracts with them.

Anticipated Completion Date: Immediate

Richard R. Hefford
(Signature)

Superintendent
(Title)

June 7, 2017
(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.