

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

NORTH SPENCER COUNTY SCHOOL CORPORATION  
SPENCER COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
03/28/2018



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.....	10-11
Notes to Financial Statement .....	12-16
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	18-29
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 .....	41-48
Auditee-Prepared Document:	
Corrective Action Plan .....	50-52
Other Reports.....	53

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Heather A. Harbottle	07-01-14 to 07-12-15
	Rachel Ayer	07-13-15 to 01-10-16
	Martha Barnett	01-11-16 to 06-30-18
Superintendent of Schools	Daniel R. Scherry	07-01-14 to 06-30-18
President of the School Board	Anna L. Oxley	01-01-14 to 12-31-14
	L. Elaine Daubenspeck	01-01-15 to 12-31-17
	Lori Gogel	01-01-18 to 12-31-18



**STATE OF INDIANA**  
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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the North Spencer County School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, 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, 2014 to June 30, 2016.

***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, 2014 to June 30, 2016, 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 March 12, 2018, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

March 12, 2018



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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 NORTH 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 North Spencer County School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated March 12, 2018, 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 2016-001 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 2016-001.

**North 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

March 12, 2018

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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.

NORTH 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, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 2,509,111	\$ 11,642,929	\$ 11,344,743	\$ 7,347	\$ 2,814,644	\$ 11,770,117	\$ 11,524,054	\$ 8,970	\$ 3,069,677
Debt Service	1,206,153	2,345,619	3,494,081	-	57,691	2,321,571	1,143,475	-	1,235,787
Retirement/Severance Bond Debt Service	154,673	267,471	411,080	-	11,064	274,604	135,692	-	149,976
Capital Projects	2,012,840	2,294,955	2,023,947	(600,000)	1,683,848	2,207,608	1,629,243	76	2,262,289
School Transportation	999,671	1,384,443	1,304,003	-	1,080,111	1,413,580	998,655	-	1,495,036
School Bus Replacement	507,781	283,327	159,350	-	631,758	348,352	338,150	-	641,960
Rainy Day	2,662,020	-	61,547	650,000	3,250,473	3,352	20,275	-	3,233,550
Construction	1,339,357	-	258,919	-	1,080,438	-	232,633	-	847,805
School Lunch	712,052	1,116,183	1,098,936	-	729,299	1,155,823	1,246,077	-	639,045
Textbook Rental	309,961	214,510	160,806	-	363,665	221,834	278,240	-	307,259
Self-Insurance	653,833	2,558,533	2,789,817	-	422,549	2,369,524	2,493,994	-	298,079
Educational License Plates	2,765	225	-	-	2,990	148	-	-	3,138
Safe Haven 2013/2014	(6,998)	6,998	-	-	-	-	-	-	-
Safe Haven 2014	-	8,087	11,735	-	(3,648)	3,901	253	-	-
HHMS After School Program	6,054	50	1,385	-	4,719	3,130	6,221	-	1,628
Community Foundation Library Grant	-	-	-	-	-	3,752	3,752	-	-
Community Foundation Grant	6,640	3,521	10,161	-	-	4,821	-	-	4,821
Rolling Into The Future	-	4,689	-	-	4,689	750	5,439	-	-
IN Youth Institute Professional Development	-	-	-	-	-	1,394	1,394	-	-
Trust/ISTA Section 125	4,296	492	-	-	4,788	-	-	-	4,788
Heros - Chrisney Elementary 2013/2014	4,130	12,000	7,915	(7,666)	549	-	549	-	-
Heros - David Turnham 2013/2014	5,509	10,900	5,989	(10,420)	-	-	-	-	-
Heros - Chrisney Elementary 2014/2015	-	5,475	5,609	7,666	7,532	-	4,091	-	3,441
Heros - David Turnham 2014/2015	-	6,575	11,758	10,420	5,237	-	3,406	-	1,831
Heros - Chrisney Elementary 2015/2016	-	-	-	-	-	25,200	16,560	-	8,640
Heros - David Turnham 2015/2016	-	-	-	-	-	25,200	8,695	-	16,505
Heros - Nancy Hanks 2014/2015	-	1,988	822	-	1,166	-	1,166	-	-
Heros - Nancy Hanks 2015/2016	-	-	-	-	-	17,750	12,014	-	5,736
Formative Assessment	-	-	-	-	-	3,000	14,349	-	(11,349)
Vision Athena Grant Award	9,159	-	1,437	-	7,722	-	656	-	7,066

NORTH 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, 2015 and 2016

Fund	Cash and	Receipts	Disbursements	Other	Cash and	Receipts	Disbursements	Other	Cash and
	Investments			Financing	Investments			Financing	Investments
	07-01-14			Sources (Uses)	06-30-15			Sources (Uses)	06-30-16
High Ability Grant 2015/2016	-	-	-	-	-	33,657	27,422	-	6,235
High Ability Grant 2013/2014	11,629	-	11,629	-	-	-	-	-	-
High Ability Grant 2014/2015	-	32,486	20,688	-	11,798	-	11,798	-	-
Instructional Support	-	-	-	-	-	3,394	3,394	-	-
Secured Schools Safety Grant	-	50,000	-	(50,000)	-	-	-	-	-
Non-English Speaking Programs P.L. 273-1999 2014/2015	766	6,847	6,395	-	1,218	-	1,218	-	-
Non-English Speaking Programs P.L. 273-1999 2015/2016	-	-	-	-	-	13,014	11,023	-	1,991
Connectivity	27,003	6,975	951	-	33,027	9,251	3,616	-	38,662
Tobacco Grant 2013/2015	(3,166)	30,572	31,626	-	(4,220)	5,272	1,052	-	-
Tobacco Grant 2015/2017	-	-	-	-	-	20,843	23,083	-	(2,240)
Intelenet Commission	1,895	-	-	-	1,895	-	-	-	1,895
College Success Coalition	-	6,000	-	-	6,000	-	5,950	-	50
Title I 2015/2016	-	-	-	-	-	142,404	151,179	-	(8,775)
Title I 2013/2014	(9,285)	25,130	15,845	-	-	-	-	-	-
Title I 2014/2015	-	146,871	145,554	-	1,317	3,341	4,658	-	-
Medicaid Reimbursement - Federal	108,520	30,256	34,253	(7,347)	97,176	33,720	33,177	(8,970)	88,749
Improving Teacher Quality, No Child Left, Title II, Part A 2015/2016	-	-	-	-	-	59,361	66,106	-	(6,745)
Improving Teacher Quality, No Child Left, Title II, Part A 2013/2014	(4,452)	29,284	24,832	-	-	-	-	-	-
Improving Teacher Quality, No Child Left, Title II, Part A 2014/2015	-	26,934	32,401	-	(5,467)	32,702	27,235	-	-
Title III 2013/2014	157	-	157	-	-	-	-	-	-
Title III 2014/2015	-	8,838	10,345	-	(1,507)	2,499	992	-	-
Title III 2015/2016	-	-	-	-	-	10,000	11,224	-	(1,224)
Payroll Withholdings Fund	(6,402)	4,125,201	4,111,913	-	6,886	4,290,762	4,108,926	-	188,722
<b>Totals</b>	<b>\$ 13,225,672</b>	<b>\$ 26,694,364</b>	<b>\$ 27,610,629</b>	<b>\$ -</b>	<b>\$ 12,309,407</b>	<b>\$ 26,835,631</b>	<b>\$ 24,611,086</b>	<b>\$ 76</b>	<b>\$ 14,534,028</b>

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

NORTH 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.

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

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

*F. Other Financing Sources and Uses*

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

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

*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.

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

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

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.

NORTH 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. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

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

*B. Additional Pension Plans*

The School Corporation also contributes to additional pension plans for noncertified employees unique to the School Corporation. Information regarding these plans may be obtained from the School Corporation.

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the Indiana Department of Education requiring that these grant funds be spent prior to being reimbursed. These grant funds were expected to have negative balances because of the manner in which the grants are administered. The reimbursements for the expenditures made by the School Corporation were not received by June 30, 2015 and 2016.

**Note 8. Holding Corporation**

The School Corporation has entered into a capital lease with North Spencer Co. Middle School Bldg. Corp. (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years 2014-2015 and 2015-2016, totaled \$2,973,000 and \$1,025,400, respectively.

**Note 9. Subsequent Events**

On December 12, 2016, the School Corporation accepted the low bid for the west side Heritage Hills High School project from Arc Construction Company, Inc. for \$5,034,022. On May 23, 2016, the School Corporation accepted the bid from Jasper Lumber Company, Inc. for additions and renovations to Chrisney Elementary School for \$1,187,348 and to David Turnham Education Center for \$1,838,420. These projects were funded with a lease with the North Spencer Co. Middle School Bldg. Corp. for \$8,970,000 through the North Spencer MS Building Corporation Ad Valorem Property Tax First Mortgage Bonds, Series 2016, that were issued on May 10, 2016.

On December 12, 2016, the School Corporation approved an amendment to the lease agreement with the North Spencer Co. Middle School Bldg. Corp. to fund improvements to the athletic facilities. This project was funded with \$2,000,000 of North Spencer MS Building Corporation Ad Valorem Property First Mortgage, Series 2017, that were issued on March 7, 2017.

#### OTHER INFORMATION - UNAUDITED

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

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

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

NORTH 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	Construction	School Lunch
Cash and investments - beginning	\$ 2,509,111	\$ 1,206,153	\$ 154,673	\$ 2,012,840	\$ 999,671	\$ 507,781	\$ 2,662,020	\$ 1,339,357	\$ 712,052
Receipts:									
Local sources	59,592	2,345,619	267,471	2,294,955	1,384,443	283,327	-	-	703,982
Intermediate sources	279	-	-	-	-	-	-	-	-
State sources	11,582,548	-	-	-	-	-	-	-	17,794
Federal sources	-	-	-	-	-	-	-	-	394,407
Other receipts	510	-	-	-	-	-	-	-	-
Total receipts	11,642,929	2,345,619	267,471	2,294,955	1,384,443	283,327	-	-	1,116,183
Disbursements:									
Instruction	8,025,714	-	-	-	-	-	-	258,321	-
Support services	3,076,316	-	-	758,822	1,301,913	159,350	1,871	-	-
Noninstructional services	241,235	-	-	-	-	-	-	-	1,098,936
Facilities acquisition and construction	1,478	-	-	1,265,125	2,090	-	59,676	598	-
Debt service	-	3,494,081	411,080	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	11,344,743	3,494,081	411,080	2,023,947	1,304,003	159,350	61,547	258,919	1,098,936
Excess (deficiency) of receipts over disbursements	298,186	(1,148,462)	(143,609)	271,008	80,440	123,977	(61,547)	(258,919)	17,247
Other financing sources (uses):									
Transfers in	7,347	-	-	-	-	-	650,000	-	-
Transfers out	-	-	-	(600,000)	-	-	-	-	-
Total other financing sources (uses)	7,347	-	-	(600,000)	-	-	650,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	305,533	(1,148,462)	(143,609)	(328,992)	80,440	123,977	588,453	(258,919)	17,247
Cash and investments - ending	\$ 2,814,644	\$ 57,691	\$ 11,064	\$ 1,683,848	\$ 1,080,111	\$ 631,758	\$ 3,250,473	\$ 1,080,438	\$ 729,299

NORTH 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

	Textbook Rental	Self- Insurance	Educational License Plates	Safe Haven 2013/2014	Safe Haven 2014	HHMS After School Program	Community Foundation Library Grant	Community Foundation Grant	Rolling Into The Future
Cash and investments - beginning	\$ 309,961	\$ 653,833	\$ 2,765	\$ (6,998)	\$ -	\$ 6,054	\$ -	\$ 6,640	\$ -
Receipts:									
Local sources	172,638	2,558,533	-	-	-	50	-	3,521	4,689
Intermediate sources	-	-	225	-	-	-	-	-	-
State sources	41,872	-	-	6,998	8,087	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	<u>214,510</u>	<u>2,558,533</u>	<u>225</u>	<u>6,998</u>	<u>8,087</u>	<u>50</u>	<u>-</u>	<u>3,521</u>	<u>4,689</u>
Disbursements:									
Instruction	-	-	-	-	-	1,385	-	10,161	-
Support services	160,806	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	11,735	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	2,789,817	-	-	-	-	-	-	-
Total disbursements	<u>160,806</u>	<u>2,789,817</u>	<u>-</u>	<u>-</u>	<u>11,735</u>	<u>1,385</u>	<u>-</u>	<u>10,161</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>53,704</u>	<u>(231,284)</u>	<u>225</u>	<u>6,998</u>	<u>(3,648)</u>	<u>(1,335)</u>	<u>-</u>	<u>(6,640)</u>	<u>4,689</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>53,704</u>	<u>(231,284)</u>	<u>225</u>	<u>6,998</u>	<u>(3,648)</u>	<u>(1,335)</u>	<u>-</u>	<u>(6,640)</u>	<u>4,689</u>
Cash and investments - ending	<u>\$ 363,665</u>	<u>\$ 422,549</u>	<u>\$ 2,990</u>	<u>\$ -</u>	<u>\$ (3,648)</u>	<u>\$ 4,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,689</u>

NORTH 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

	IN Youth Institute Professional Development	Trust/ISTA Section 125	Heros - Chrisney Elementary 2013/2014	Heros - David Turnham 2013/2014	Heros - Chrisney Elementary 2014/2015	Heros - David Turnham 2014/2015	Heros - Chrisney Elementary 2015/2016	Heros - David Turnham 2015/2016	Heros - Nancy Hanks 2014/2015
Cash and investments - beginning	\$ -	\$ 4,296	\$ 4,130	\$ 5,509	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	492	12,000	10,900	5,475	6,575	-	-	1,988
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	492	12,000	10,900	5,475	6,575	-	-	1,988
Disbursements:									
Instruction	-	-	4,097	3,588	-	5,801	-	-	322
Support services	-	-	3,818	2,401	5,609	5,957	-	-	500
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	7,915	5,989	5,609	11,758	-	-	822
Excess (deficiency) of receipts over disbursements	-	492	4,085	4,911	(134)	(5,183)	-	-	1,166
Other financing sources (uses):									
Transfers in	-	-	-	-	7,666	10,420	-	-	-
Transfers out	-	-	(7,666)	(10,420)	-	-	-	-	-
Total other financing sources (uses)	-	-	(7,666)	(10,420)	7,666	10,420	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	492	(3,581)	(5,509)	7,532	5,237	-	-	1,166
Cash and investments - ending	\$ -	\$ 4,788	\$ 549	\$ -	\$ 7,532	\$ 5,237	\$ -	\$ -	\$ 1,166

NORTH 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

	Heros - Nancy Hanks 2015/2016	Formative Assessment	Vision Athena Grant Award	High Ability Grant 2015/2016	High Ability Grant 2013/2014	High Ability Grant 2014/2015	Instructional Support	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999 2014/2015
Cash and investments - beginning	\$ -	\$ -	\$ 9,159	\$ -	\$ 11,629	\$ -	\$ -	\$ -	\$ 766
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	32,486	-	50,000	6,847
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	32,486	-	50,000	6,847
Disbursements:									
Instruction	-	-	1,437	-	10,383	20,688	-	-	6,395
Support services	-	-	-	-	1,246	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	1,437	-	11,629	20,688	-	-	6,395
Excess (deficiency) of receipts over disbursements	-	-	(1,437)	-	(11,629)	11,798	-	50,000	452
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(50,000)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(50,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(1,437)	-	(11,629)	11,798	-	-	452
Cash and investments - ending	\$ -	\$ -	\$ 7,722	\$ -	\$ -	\$ 11,798	\$ -	\$ -	\$ 1,218

NORTH 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

	Non-English Speaking Programs P.L. 273-1999 2015/2016	Connectivity	Tobacco Grant 2013/2015	Tobacco Grant 2015/2017	Intelenet Commission	College Success Coalition	Title I 2015/2016	Title I 2013/2014	Title I 2014/2015
Cash and investments - beginning	\$ -	\$ 27,003	\$ (3,166)	\$ -	\$ 1,895	\$ -	\$ -	\$ (9,285)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	6,975	30,572	-	-	6,000	-	-	-
Federal sources	-	-	-	-	-	-	-	25,130	146,871
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	6,975	30,572	-	-	6,000	-	25,130	146,871
Disbursements:									
Instruction	-	-	-	-	-	-	-	15,248	144,809
Support services	-	951	-	-	-	-	-	597	63
Noninstructional services	-	-	31,626	-	-	-	-	-	682
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	951	31,626	-	-	-	-	15,845	145,554
Excess (deficiency) of receipts over disbursements	-	6,024	(1,054)	-	-	6,000	-	9,285	1,317
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	-	6,024	(1,054)	-	-	6,000	-	9,285	1,317
Cash and investments - ending	\$ -	\$ 33,027	\$ (4,220)	\$ -	\$ 1,895	\$ 6,000	\$ -	\$ -	\$ 1,317

NORTH 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

	Medicaid Reimbursement - Federal	Improving Teacher Quality, No Child Left, Title II, Part A 2015/2016	Improving Teacher Quality, No Child Left, Title II, Part A 2013/2014	Improving Teacher Quality, No Child Left, Title II, Part A 2014/2015	Title III 2013/2014	Title III 2014/2015	Title III 2015/2016	Payroll Withholdings Fund	Totals
Cash and investments - beginning	\$ 108,520	\$ -	\$ (4,452)	\$ -	\$ 157	\$ -	\$ -	\$ (6,402)	\$ 13,225,672
Receipts:									
Local sources	7,298	-	-	-	-	-	-	-	10,123,548
Intermediate sources	-	-	-	-	-	-	-	-	504
State sources	-	-	-	-	-	-	-	-	11,790,179
Federal sources	22,958	-	29,284	26,934	-	8,838	-	-	654,422
Other receipts	-	-	-	-	-	-	-	4,125,201	4,125,711
Total receipts	30,256	-	29,284	26,934	-	8,838	-	4,125,201	26,694,364
Disbursements:									
Instruction	-	-	18	-	157	10,345	-	-	8,518,869
Support services	34,253	-	24,814	32,401	-	-	-	-	5,571,688
Noninstructional services	-	-	-	-	-	-	-	-	1,384,214
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,328,967
Debt service	-	-	-	-	-	-	-	-	3,905,161
Nonprogrammed charges	-	-	-	-	-	-	-	4,111,913	6,901,730
Total disbursements	34,253	-	24,832	32,401	157	10,345	-	4,111,913	27,610,629
Excess (deficiency) of receipts over disbursements	(3,997)	-	4,452	(5,467)	(157)	(1,507)	-	13,288	(916,265)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	675,433
Transfers out	(7,347)	-	-	-	-	-	-	-	(675,433)
Total other financing sources (uses)	(7,347)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,344)	-	4,452	(5,467)	(157)	(1,507)	-	13,288	(916,265)
Cash and investments - ending	\$ 97,176	\$ -	\$ -	\$ (5,467)	\$ -	\$ (1,507)	\$ -	\$ 6,886	\$ 12,309,407

NORTH 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, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch
Cash and investments - beginning	\$ 2,814,644	\$ 57,691	\$ 11,064	\$ 1,683,848	\$ 1,080,111	\$ 631,758	\$ 3,250,473	\$ 1,080,438	\$ 729,299
Receipts:									
Local sources	135,579	2,321,571	274,604	2,207,608	1,413,080	292,072	3,352	-	725,963
Intermediate sources	280	-	-	-	-	-	-	-	-
State sources	11,634,258	-	-	-	-	56,280	-	-	19,472
Federal sources	-	-	-	-	-	-	-	-	410,388
Other receipts	-	-	-	-	500	-	-	-	-
Total receipts	11,770,117	2,321,571	274,604	2,207,608	1,413,580	348,352	3,352	-	1,155,823
Disbursements:									
Instruction	7,946,241	-	-	-	-	-	-	232,633	-
Support services	3,228,783	-	-	766,835	993,655	338,150	20,275	-	-
Noninstructional services	348,960	-	-	-	-	-	-	-	1,246,077
Facilities acquisition and construction	70	-	-	862,408	5,000	-	-	-	-
Debt service	-	1,143,475	135,692	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	11,524,054	1,143,475	135,692	1,629,243	998,655	338,150	20,275	232,633	1,246,077
Excess (deficiency) of receipts over disbursements	246,063	1,178,096	138,912	578,365	414,925	10,202	(16,923)	(232,633)	(90,254)
Other financing sources (uses):									
Sale of capital assets	-	-	-	76	-	-	-	-	-
Transfers in	8,970	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	8,970	-	-	76	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	255,033	1,178,096	138,912	578,441	414,925	10,202	(16,923)	(232,633)	(90,254)
Cash and investments - ending	\$ 3,069,677	\$ 1,235,787	\$ 149,976	\$ 2,262,289	\$ 1,495,036	\$ 641,960	\$ 3,233,550	\$ 847,805	\$ 639,045

NORTH 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, 2016

	Textbook Rental	Self- Insurance	Educational License Plates	Safe Haven 2013/2014	Safe Haven 2014	HHMS After School Program	Community Foundation Library Grant	Community Foundation Grant	Rolling Into The Future
Cash and investments - beginning	\$ 363,665	\$ 422,549	\$ 2,990	\$ -	\$ (3,648)	\$ 4,719	\$ -	\$ -	\$ 4,689
Receipts:									
Local sources	180,378	2,369,524	-	-	-	3,130	3,752	4,821	750
Intermediate sources	-	-	148	-	-	-	-	-	-
State sources	41,456	-	-	-	3,901	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	<u>221,834</u>	<u>2,369,524</u>	<u>148</u>	<u>-</u>	<u>3,901</u>	<u>3,130</u>	<u>3,752</u>	<u>4,821</u>	<u>750</u>
Disbursements:									
Instruction	-	-	-	-	-	6,221	3,752	-	5,439
Support services	278,240	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	253	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	2,493,994	-	-	-	-	-	-	-
Total disbursements	<u>278,240</u>	<u>2,493,994</u>	<u>-</u>	<u>-</u>	<u>253</u>	<u>6,221</u>	<u>3,752</u>	<u>-</u>	<u>5,439</u>
Excess (deficiency) of receipts over disbursements	<u>(56,406)</u>	<u>(124,470)</u>	<u>148</u>	<u>-</u>	<u>3,648</u>	<u>(3,091)</u>	<u>-</u>	<u>4,821</u>	<u>(4,689)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(56,406)</u>	<u>(124,470)</u>	<u>148</u>	<u>-</u>	<u>3,648</u>	<u>(3,091)</u>	<u>-</u>	<u>4,821</u>	<u>(4,689)</u>
Cash and investments - ending	<u>\$ 307,259</u>	<u>\$ 298,079</u>	<u>\$ 3,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,628</u>	<u>\$ -</u>	<u>\$ 4,821</u>	<u>\$ -</u>

NORTH 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, 2016

	IN Youth Institute Professional Development	Trust/ISTA Section 125	Heros - Chrisney Elementary 2013/2014	Heros - David Turnham 2013/2014	Heros - Chrisney Elementary 2014/2015	Heros - David Turnham 2014/2015	Heros - Chrisney Elementary 2015/2016	Heros - David Turnham 2015/2016	Heros - Nancy Hanks 2014/2015
Cash and investments - beginning	\$ -	\$ 4,788	\$ 549	\$ -	\$ 7,532	\$ 5,237	\$ -	\$ -	\$ 1,166
Receipts:									
Local sources	1,394	-	-	-	-	-	25,200	25,200	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	1,394	-	-	-	-	-	25,200	25,200	-
Disbursements:									
Instruction	697	-	549	-	-	2,620	-	-	666
Support services	697	-	-	-	4,091	786	16,560	8,695	500
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,394	-	549	-	4,091	3,406	16,560	8,695	1,166
Excess (deficiency) of receipts over disbursements	-	-	(549)	-	(4,091)	(3,406)	8,640	16,505	(1,166)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(549)	-	(4,091)	(3,406)	8,640	16,505	(1,166)
Cash and investments - ending	\$ -	\$ 4,788	\$ -	\$ -	\$ 3,441	\$ 1,831	\$ 8,640	\$ 16,505	\$ -

NORTH 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, 2016

	Heros - Nancy Hanks 2015/2016	Formative Assessment	Vision Athena Grant Award	High Ability Grant 2015/2016	High Ability Grant 2013/2014	High Ability Grant 2014/2015	Instructional Support	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999 2014/2015
Cash and investments - beginning	\$ -	\$ -	\$ 7,722	\$ -	\$ -	\$ 11,798	\$ -	\$ -	\$ 1,218
Receipts:									
Local sources	17,750	-	-	-	-	-	3,394	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	3,000	-	33,657	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	17,750	3,000	-	33,657	-	-	3,394	-	-
Disbursements:									
Instruction	-	-	656	27,422	-	11,765	3,394	-	1,218
Support services	12,014	14,349	-	-	-	33	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	12,014	14,349	656	27,422	-	11,798	3,394	-	1,218
Excess (deficiency) of receipts over disbursements	5,736	(11,349)	(656)	6,235	-	(11,798)	-	-	(1,218)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,736	(11,349)	(656)	6,235	-	(11,798)	-	-	(1,218)
Cash and investments - ending	\$ 5,736	\$ (11,349)	\$ 7,066	\$ 6,235	\$ -	\$ -	\$ -	\$ -	\$ -

NORTH 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, 2016

	Non-English Speaking Programs P.L. 273-1999 2015/2016	Connectivity	Tobacco Grant 2013/2015	Tobacco Grant 2015/2017	Intelenet Commission	College Success Coalition	Title I 2015/2016	Title I 2013/2014	Title I 2014/2015
Cash and investments - beginning	\$ -	\$ 33,027	\$ (4,220)	\$ -	\$ 1,895	\$ 6,000	\$ -	\$ -	\$ 1,317
Receipts:									
Local sources	-	526	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	13,014	8,725	5,272	20,843	-	-	-	-	-
Federal sources	-	-	-	-	-	-	142,404	-	3,341
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	13,014	9,251	5,272	20,843	-	-	142,404	-	3,341
Disbursements:									
Instruction	11,023	-	-	-	-	-	148,887	-	4,658
Support services	-	446	-	-	-	5,950	512	-	-
Noninstructional services	-	-	1,052	23,083	-	-	1,780	-	-
Facilities acquisition and construction	-	3,170	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	11,023	3,616	1,052	23,083	-	5,950	151,179	-	4,658
Excess (deficiency) of receipts over disbursements	1,991	5,635	4,220	(2,240)	-	(5,950)	(8,775)	-	(1,317)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,991	5,635	4,220	(2,240)	-	(5,950)	(8,775)	-	(1,317)
Cash and investments - ending	\$ 1,991	\$ 38,662	\$ -	\$ (2,240)	\$ 1,895	\$ 50	\$ (8,775)	\$ -	\$ -

NORTH 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, 2016

	Medicaid Reimbursement - Federal	Improving Teacher Quality, No Child Left, Title II, Part A 2015/2016	Improving Teacher Quality, No Child Left, Title II, Part A 2013/2014	Improving Teacher Quality, No Child Left, Title II, Part A 2014/2015	Title III 2013/2014	Title III 2014/2015	Title III 2015/2016	Payroll Withholdings Fund	Totals
Cash and investments - beginning	\$ 97,176	\$ -	\$ -	\$ (5,467)	\$ -	\$ (1,507)	\$ -	\$ 6,886	\$ 12,309,407
Receipts:									
Local sources	-	-	-	-	-	-	-	-	10,009,648
Intermediate sources	-	-	-	-	-	-	-	-	428
State sources	-	-	-	-	-	-	-	-	11,839,878
Federal sources	33,720	59,361	-	32,702	-	2,499	10,000	-	694,415
Other receipts	-	-	-	-	-	-	-	4,290,762	4,291,262
Total receipts	<u>33,720</u>	<u>59,361</u>	<u>-</u>	<u>32,702</u>	<u>-</u>	<u>2,499</u>	<u>10,000</u>	<u>4,290,762</u>	<u>26,835,631</u>
Disbursements:									
Instruction	-	-	-	-	-	992	11,224	-	8,420,057
Support services	33,177	66,106	-	27,235	-	-	-	-	5,817,089
Noninstructional services	-	-	-	-	-	-	-	-	1,621,205
Facilities acquisition and construction	-	-	-	-	-	-	-	-	870,648
Debt service	-	-	-	-	-	-	-	-	1,279,167
Nonprogrammed charges	-	-	-	-	-	-	-	4,108,926	6,602,920
Total disbursements	<u>33,177</u>	<u>66,106</u>	<u>-</u>	<u>27,235</u>	<u>-</u>	<u>992</u>	<u>11,224</u>	<u>4,108,926</u>	<u>24,611,086</u>
Excess (deficiency) of receipts over disbursements	<u>543</u>	<u>(6,745)</u>	<u>-</u>	<u>5,467</u>	<u>-</u>	<u>1,507</u>	<u>(1,224)</u>	<u>181,836</u>	<u>2,224,545</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	76
Transfers in	-	-	-	-	-	-	-	-	8,970
Transfers out	(8,970)	-	-	-	-	-	-	-	(8,970)
Total other financing sources (uses)	<u>(8,970)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(8,427)</u>	<u>(6,745)</u>	<u>-</u>	<u>5,467</u>	<u>-</u>	<u>1,507</u>	<u>(1,224)</u>	<u>181,836</u>	<u>2,224,621</u>
Cash and investments - ending	<u>\$ 88,749</u>	<u>\$ (6,745)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,224)</u>	<u>\$ 188,722</u>	<u>\$ 14,534,028</u>

NORTH SPENCER COUNTY SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2016

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	<u>\$ 214,291</u>	<u>\$ 32,978</u>

NORTH SPENCER COUNTY SCHOOL CORPORATION  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: North Spencer Co. Middle School Bldg. Corp.	Construction of Middle School	\$ 2,063,400	9/1/1998	1/15/2018
Total of annual lease payments		<u>\$ 2,063,400</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	School Severance 2013A Refunding		\$ 1,825,000	\$ 263,356
General obligation bonds	Ad Valorem Property Tax First Mortgage Bonds Series 2012/High School Renovation Reimbursement to Capital Projects Fund		1,895,000	35,000
General obligation bonds	High School Renovation 2012		<u>1,375,000</u>	<u>195,050</u>
Total governmental activities			<u>5,095,000</u>	<u>493,406</u>
Totals			<u>\$ 5,095,000</u>	<u>\$ 493,406</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

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

We have audited the North 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, 2014 to June 30, 2016. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016.

***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 2016-002 and 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 2016-002 and 2016-003 to be material weaknesses.

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

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

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

  
Paul D. Joyce, CPA  
State Examiner

March 12, 2018

#### 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.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2015 and 2016

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 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
			FY 14/15	\$ -	\$ 65,306	\$ -	\$ -
			FY 15/16	-	-	-	71,760
Total - School Breakfast Program				-	65,306	-	71,760
National School Lunch Program	Indiana Department of Education	10.555					
			FY 14/15	-	329,101	-	-
			FY 15/16	-	-	-	338,628
Commodities							
			FY 14/15	-	76,428	-	-
			FY 15/16	-	-	-	87,743
Total - National School Lunch Program				-	405,529	-	426,371
Total - Child Nutrition Cluster				-	470,835	-	498,131
Total - Department of Agriculture				-	470,835	-	498,131
<u>Department of Transportation</u>							
Highway Planning and Construction Cluster							
Highway Planning and Construction	Indiana Department of Transportation	20.205					
			FY 15/16	-	-	-	2,300
<u>Environmental Protection Agency</u>							
State Clean Diesel Grant Program	Indiana Department of Environmental Management	66.040					
			FY 15/16	-	-	-	38,000
<u>Department of Energy</u>							
State Energy Program	Indiana Office of Energy Development	81.041					
			FY 15/16	-	-	-	15,439
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
			14213011PN01	-	18,187	-	-
			14214011PN01	-	180,762	-	22,355
			14215011PN01	-	189,151	-	199,889
			14216009PN01	-	-	-	175,879
			99914011TA01	-	3,231	-	847
Total - Special Education_Grants to States				-	391,331	-	398,970
Special Education_Preschool Grants	Indiana Department of Education	84.173					
			45714011PN01	-	11,385	-	-
			45715011PN01	-	8,554	-	11,935
			45716009PN01	-	-	-	9,204
Total - Special Education_Preschool Grants				-	19,939	-	21,139
Total - Special Education Cluster (IDEA)				-	411,270	-	420,109

NORTH SPENCER COUNTY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2015 and 2016

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 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	14-7385	-	25,130	-	-
			15-7385	-	146,871	-	3,341
			16-7385	-	-	-	142,404
Total - Title I Grants to Local Educational Agencies				-	172,001	-	145,745
English Language Acquisition State Grants	Indiana Department of Education	84.365	01115-086-PN01	-	8,838	-	2,499
			01116-086PN01	-	-	-	10,000
Total - English Language Acquisition State Grants				-	8,838	-	12,499
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	FY 13/14	-	28,299	-	-
			FY 14/15	-	26,934	-	32,702
			FY 15/16	-	-	-	29,361
Total - Improving Teacher Quality State Grants				-	55,233	-	62,063
College Access Challenge Grant Program	Indiana Department of Education	84.378	FY 14/15	-	6,000	-	-
Total - Department of Education				-	653,342	-	640,416
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778	FY 14/15	-	22,958	-	-
			FY 15/16	-	-	-	33,720
Total - Medicaid Cluster				-	22,958	-	33,720
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Indiana State Department of Health	93.079	FY 14/15	-	400	-	-
Total - Department of Health and Human Services				-	23,358	-	33,720
Total federal awards expended				\$ -	\$ 1,147,535	\$ -	\$ 1,228,006

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

NORTH 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, 2015 and 2016. 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 Cooperative***

The School Corporation is a member of the Exceptional Children's Cooperative (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 SEFA is not presented as receipts and disbursements in the financial statement of the School Corporation.

NORTH 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 weaknesses 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:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

\_\_\_\_\_ Name of Federal Program or Cluster \_\_\_\_\_  
Child Nutrition Cluster  
Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?	no
--	----

**Section II - Financial Statement Findings**

**FINDING 2016-001**

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

*Repeat Finding*

This is a repeat finding from the immediate prior audit report. The prior audit finding number was 2014-001.

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

*Condition*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The federal award information within the School Corporation's Annual Report on Indiana Gateway for Government Units (Gateway), which was used to generate the School Corporation's SEFA was entered by the Treasurer and the Superintendent of Schools reviewed and submitted the federal award information. However, the control procedures were not adequate to ensure the federal award information entered and submitted in Gateway was correct.

*Context*

The SEFA contained the following errors:

1. The School Breakfast Program expenditures were combined with and reported as National School Lunch Program expenditures.
2. The National School Lunch Program - Commodities were not reported, resulting in an understatement of program expenditures in the amount of \$76,428 for fiscal year 2014-2015 and \$87,743 for fiscal year 2015-2016.
3. Two Special Education\_Preschool Grants projects expenditures were incorrectly reported resulting in an overstatement of program expenditures of \$19,604 for fiscal year 2014-2015.
4. Two Improving Teacher Quality State Grants projects expenditures were incorrectly reported, resulting in an overstatement of program expenditures of \$985 for fiscal year 2014-2015 and \$30,000 for fiscal year 2015-2016.
5. Six federal programs were not reported, resulting in an understatement of program expenditures of \$29,358 for fiscal year 2014-2015 and \$89,459 for fiscal year 2015-2016.
6. Five programs had incorrect federal program names.

Audit adjustments totaling \$232,399 were proposed, accepted by the School Corporation, and made to the SEFA.

*Criteria*

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

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

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

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

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 § \_\_.310. . . ."

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

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

*Cause*

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

*Effect*

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

NORTH 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.

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

**FINDING 2016-002**

Subject: Child Nutrition Cluster - Equipment and Real Property Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Equipment and Real Property Management  
Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The School Corporation was not in compliance with the requirements for the Equipment and Real Property Management compliance requirement. Equipment was purchased and disposed of for the programs during the audit period, but inventory or property records had not been updated for the purchases and disposals. There was no evidence of a control, such as an oversight, review, and approval process, to ensure that inventory or property records were maintained.

*Context*

The inventory records provided were last updated through June 20, 2013, and did not include equipment that was purchased and disposed of during the audit period. The lack of controls was a systemic problem for the period audited.

*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 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal

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

award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.32(d) states:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

2 CFR 200.313(d) states in part:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

*Cause*

Management of the School Corporation had not designed or implemented internal control procedures to ensure compliance with the Equipment and Real Property Management compliance requirement.

*Effect*

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

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish internal controls to ensure that the School Corporation was in compliance with the grant agreement and the compliance requirement 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 2016-003**

Subject: Special Education\_Grants to States - 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, 14216009PN01,  
99914011TA01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation was a member of the Exceptional Children's Cooperative (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.

The School Corporation was ultimately responsible for compliance with the requirements, but relied solely on the Cooperative without its own system of controls or sufficient monitoring of the Cooperative's procedures to ensure compliance.

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

*Context*

During the 2015 and 2016 fiscal years, there were two covered transactions entered into each year that exceeded \$25,000. Neither the Cooperative nor the School Corporation verified 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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 of the School Corporation had not developed a system of internal control that would have ensured that the Cooperative 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 and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management develop and implement procedures and establish controls 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

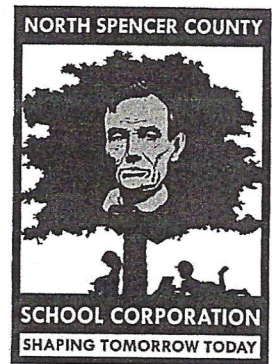
The subsequent document is provided by management of the School Corporation. The document is presented as intended by the School Corporation.

# North Spencer County School Corporation

Shaping Tomorrow Today

Box 316, 3720 E SR 162  
Lincoln City, IN 47552

Phone: (812) 937-2400  
Fax: (812) 937-7187  
www.nspencer.k12.in.us



## CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Martha Barnett, Treasurer  
Contact Phone Number: 812-937-2400 Ext. 1004

Views of Responsible Official: Knowledge and training of correctly reporting in Gateway was not passed down to the current treasurer. Auditor explained and corrections will be made in Gateway.

Description of Corrective Action Plan:

Inaccurate disclosure of grants on the Schedule of Expenditures and Federal Awards (SEFA) was an oversight at the time of data entry for the Gateway Annual Reporting performed by previous Treasurer. As the current treasurer, corrective action has taken place for the 2017-2018 Fiscal year so as to have accurate reporting of the federal awards. Verification for accuracy is being done by myself, the Deputy Treasurer, and the Superintendent.

Anticipated Completion Date: By March 31<sup>st</sup>, 2018

  
Signature

Treasurer  
Title

March 5<sup>th</sup>, 2018  
Date

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### ADMINISTRATION

**Daniel R. Scherry** – Superintendent  
**Julie Kemp** – Learning Coordinator  
**Jennifer Jazyk** – Title I Literacy Coordinator  
**Marc Schum** – Director of Facilities & Transportation

### BOARD OF SCHOOL TRUSTEES

**Lori Gogel** – President  
**Clint Coleman** - Vice President  
**Don Detzer** – Secretary  
**Arthur Nordhoff** – School Attorney

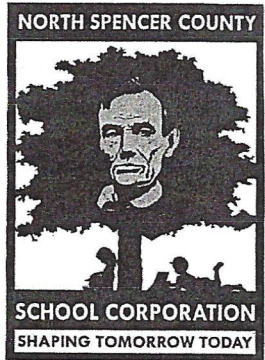
**Elaine Daubenspeck** – Member  
**Brian Gehlhausen** – Member  
**Annie Oxley** – Member  
**David Waninger** – Member

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## CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Martha Barnett, Treasurer  
Contact Phone Number: 812-937-2400 Ext. 1004

Views of Responsible Official: Turnover of multiple Food Service Directors caused a breakdown in correct and effective internal controls.

Description of Corrective Action Plan:

Effective internal control system was not in place to ensure compliance with requirements for the Equipment and Real Property Management compliance requirement. Equipment was purchased and disposed of for the program during the audit period, but inventory or property records had not been updated for the purchases and disposals. Internal control system has now been put into place for this issue. Purchases will be approved, recorded, and information will be sent to the corporation office by the new Food Service Director, and then the Deputy Treasurer will maintain and update as per the guidelines.

Anticipated Completion Date: Immediately corrected

Signature

Treasurer

Title

March 5<sup>th</sup>, 2018

Date

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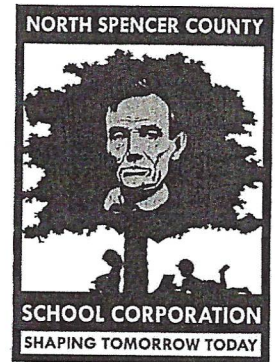
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**Annie Oxley** – Member  
**David Waninger** – Member

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## CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Martha Barnett, Treasurer  
Contact Phone Number: 812-937-2400 Ext. 1004

Views of Responsible Official:

Description of Corrective Action Plan:

Since we are members of the Exceptional Children's Cooperative that operates the special education program on our behalf and manages the special education grant funds. We will periodically check with the Cooperative, as part of our internal control system, that they are checking subcontractors to make sure they are not presently debarred, suspended, proposed debarment, declared ineligible or voluntarily excluded by any federal agency or by any department, agency or political subdivision of the State of Indiana before contracts are signed. The Co-Op is now checking SAM exclusions, collecting a certification from that person, or adding a clause or condition to the covered transaction with that person as a result of Audit Findings from other Co-Op membership school corporations.

Anticipated Completion Date: Immediately corrected and established connections with the Cooperative.

Signature

Treasurer

Title

March 5<sup>th</sup>, 2018

Date

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Brian Gehlhausen-Member  
Annie Oxley – Member  
David Waninger – Member

## 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/>.