

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SPENCER-OWEN COMMUNITY SCHOOLS
OWEN COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
06/25/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Darla Thomas	07-01-14 to 06-30-18
Superintendent of Schools	Greg Linton (Vacant) Dr. Carrie Milner (interim) Brock Beeman Dr. Chad S. Briggs	07-01-14 to 09-25-14 09-26-14 to 09-28-14 09-29-14 to 01-22-15 01-23-15 to 02-15-15 02-16-15 to 06-30-18
President of the School Board	Rick Smeltzer Kevin Cooper Rick Smeltzer	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Spencer-Owen Community Schools (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, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 31, 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

May 31, 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 SPENCER-OWEN COMMUNITY SCHOOLS, OWEN COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Spencer-Owen Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated May 31, 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 a certain deficiency 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 deficiency 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.

Spencer-Owen Community Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

May 31, 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.

SPENCER-OWEN COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments		Disbursements	Other Financing Sources (Uses)	Cash and Investments		Disbursements	Other Financing Sources (Uses)	Cash and Investments
	07-01-14	Receipts			06-30-15	Receipts			
General	\$ 1,876,212	\$ 18,082,139	\$ 17,988,741	\$ -	\$ 1,969,610	\$ 17,977,412	\$ 17,552,445	\$ -	\$ 2,394,577
Debt Service	1,879,688	3,895,250	3,567,271	-	2,207,667	3,515,201	3,352,776	-	2,370,092
Retirement/Severance Bond Debt Service	61,568	322,897	255,675	-	128,790	244,095	238,576	-	134,309
Capital Projects	643,565	2,176,157	1,609,737	(350,000)	859,985	2,026,828	1,497,486	(325,000)	1,064,327
School Transportation	462,063	2,827,276	2,139,326	(150,000)	1,000,013	2,706,896	2,035,551	(400,000)	1,271,358
School Bus Replacement	-	80,551	71,166	(9,385)	-	47,722	31,774	(15,948)	-
Rainy Day	1,624,022	5,400	611,561	476,343	1,494,204	61,351	145,327	696,164	2,106,392
Construction	-	-	-	-	-	947,000	101,832	-	845,168
School Lunch	142,142	1,097,882	1,094,137	-	145,887	1,139,957	1,185,604	-	100,240
Textbook Rental	336,868	255,856	248,699	-	344,025	287,546	302,476	-	329,095
Educational License Plates	31	-	-	-	31	-	-	-	31
Early Intervention Grant	-	35,970	35,970	-	-	-	-	-	-
OVHS - PLTW (Gateway)	1,634	-	1,634	-	-	-	-	-	-
Library Donations	507	500	407	-	600	500	594	-	506
Wal-Mart Foundation	140	1,000	1,135	-	5	-	5	-	-
Spectrum Health/Wellness	-	3,078	3,078	-	-	-	-	-	-
Cook Donation Fund	-	-	-	-	-	5,000	297	-	4,703
NEA Foundation - GES	500	-	500	-	-	-	-	-	-
Tech Pointe Foundation	-	-	-	-	-	209	209	-	-
FCCLA Team Nutrition	-	-	-	-	-	1,500	344	-	1,156
Fuel Up To Play 60	896	-	896	-	-	-	-	-	-
OVHS Printing	2,607	348	-	-	2,955	300	300	-	2,955
OVHS - Goat Farm	4,565	4,193	5,451	-	3,307	6,187	7,066	-	2,428
Living To Serve - OVHS FFA	6,316	-	5,270	-	1,046	-	-	-	1,046
State Farm - Mission Ignition	7,663	3,850	8,635	-	2,878	-	2,077	-	801
REMC Round Up MCES 2013-14	2,877	2,777	3,589	-	2,065	-	2,065	-	-
Owen County Drug Free 2015	-	5,000	3,320	-	1,680	-	1,680	-	-
After School Programs (JB)	1,830	-	1,830	-	-	-	-	-	-
Owen County LLC Drug Free	2,000	-	2,000	-	-	-	-	-	-
Owen County LLC Drug Free 2016	-	-	-	-	-	3,000	2,478	-	522
Scholarships and Awards	-	-	-	-	-	3,000	-	-	3,000
Reimbursable Fund	(745)	13,339	11,781	-	813	24,376	25,706	517	-
Instructional Support	48	-	-	-	48	-	48	-	-
Boston Scientific - OVHS PLTW	-	-	-	-	-	12,800	12,019	-	781
SCI REMC After School	-	-	-	-	-	2,250	268	-	1,982
Formative Assessment	-	-	-	-	-	27,539	20,098	-	7,441
GT High Ability 2013-14	952	-	952	-	-	-	-	-	-
GT High Ability 2014-15	-	36,680	30,301	-	6,379	-	6,379	-	-

SPENCER-OWEN COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 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
GT High Ability 2015-16	-	-	-	-	-	36,722	34,316	-	2,406
Drug Free Communities	301	-	-	-	301	-	-	-	301
Medicaid Reimbursement	6,770	46,255	20,975	-	32,050	36,816	55,674	-	13,192
Secured Schools Safety Grant	-	30,000	26,099	(3,901)	-	30,000	18,984	(11,016)	-
Safe Haven - MCES	7	-	7	-	-	-	-	-	-
Afternoons R.O.C.K. MCES 11-12	388	-	388	-	-	-	-	-	-
Afternoons R.O.C.K. MCES 12-13	2,083	-	1,320	-	763	-	64	-	699
Afternoons R.O.C.K. SES 12-13	1,117	-	1,117	-	-	-	-	-	-
Safe Haven 2014-15	-	3,750	11,850	8,100	-	8,250	150	(8,100)	-
Safe Haven 2015-16	-	-	-	-	-	7,827	12,681	4,854	-
After School Programs SES	10,523	-	8,370	-	2,153	-	801	-	1,352
Non-English Speaking Programs	318	-	-	-	318	-	9	-	309
State Connectivity Grant	1,181	3,669	3,791	-	1,059	4,404	4,299	-	1,164
Miscellaneous Programs	-	-	-	-	-	-	-	-	-
Title I 2013-14	-	225,298	184,390	(40,908)	-	-	-	-	-
Title I 2014-15	-	358,667	397,119	38,452	-	232,282	193,830	(38,452)	-
Title I 2015-16	-	-	-	-	-	269,820	368,914	99,094	-
Title I School Improvement 2014-15	-	4,000	4,000	-	-	2,000	2,000	-	-
Stewart Homeless Assistance Act	-	-	7,819	7,819	-	9,947	9,272	(675)	-
Adult Basic Education	42,030	-	6,806	-	35,224	-	10,288	-	24,936
Medicaid Reimbursement - Federal	181,607	86,651	25,905	-	242,353	71,752	45,909	-	268,196
Title II Part A 2012-14	-	103,689	101,723	(1,966)	-	-	-	-	-
Title II Part A 2013-15	-	11,875	12,004	129	-	116,608	116,245	(363)	-
Title II Part A 2014-16	-	1,019	1,721	702	-	10,153	9,771	(382)	-
Title II Part A 2015-17	-	-	-	-	-	-	418	418	-
Rural Schools and Low Income Program - Pass Through State	-	45,886	43,757	(2,129)	-	4,673	(260)	(4,933)	-
Rural and Low Income Schools 2015-16	-	-	26,744	26,744	-	48,462	24,378	(24,084)	-
Rural and Low Income Schools 2016-17	-	-	-	-	-	-	27,906	27,906	-
Payroll Withholdings	1,558,347	3,967,151	4,473,001	-	1,052,497	3,875,449	4,343,109	-	584,837
Prepaid School Lunch	8,330	3,924	3,608	-	8,646	172,130	166,050	-	14,726
Totals	<u>\$ 8,870,951</u>	<u>\$ 33,741,977</u>	<u>\$ 33,065,576</u>	<u>\$ -</u>	<u>\$ 9,547,352</u>	<u>\$ 33,977,964</u>	<u>\$ 31,970,288</u>	<u>\$ -</u>	<u>\$ 11,555,028</u>

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

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Local sources. 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.

SPENCER-OWEN COMMUNITY SCHOOLS
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.

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

Other receipts. 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:

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Negative Disbursement

The financial statement contains a disbursement which appears as a negative entry. This is a result of the correction of errors from prior periods.

Note 8. Holding Corporations

The School Corporation has entered into capital leases with Spencer-Owen Facility Improvement Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years 2015 and 2016 totaled \$636,000 and \$747,680, respectively.

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

The School Corporation has entered into capital leases with Owen Valley High School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years 2015 and 2016 totaled \$511,000 and \$510,500, respectively.

Note 9. Anthem Settlement

On December 13, 2013, the School Corporation received a refund of \$1,968,397 from Anthem for 2013 runoff reserves. A memorandum of understanding, reached on September 30, 2013, between the School Corporation and Spencer-Owen Education Association stipulated that the runoff reserves would be used to fund deposits into the School Corporation's certified employees' HSA accounts in accordance with the 2013-2014 Collective Bargaining Agreement. The School Corporation also uses the refund to fund retirees', administrators', and classified employees' HSA accounts, besides its certified employees. As of June 30, 2016, \$514,647, remained in the Payroll Withholdings fund to be used for future contributions to HSA accounts.

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OTHER INFORMATION - UNAUDITED

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

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

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

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,876,212	\$ 1,879,688	\$ 61,568	\$ 643,565	\$ 462,063	\$ -	\$ 1,624,022
Receipts:							
Local sources	1,011,140	3,895,250	322,897	2,153,499	2,827,276	80,551	5,400
Intermediate sources	1,887	-	-	-	-	-	-
State sources	16,963,182	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	105,930	-	-	22,658	-	-	-
Total receipts	18,082,139	3,895,250	322,897	2,176,157	2,827,276	80,551	5,400
Disbursements:							
Instruction	12,554,416	-	-	-	-	-	105,538
Support services	5,370,366	-	-	999,540	2,139,326	71,166	506,023
Noninstructional services	63,959	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	610,197	-	-	-
Debt service	-	3,567,271	255,675	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	17,988,741	3,567,271	255,675	1,609,737	2,139,326	71,166	611,561
Excess (deficiency) of receipts over disbursements	93,398	327,979	67,222	566,420	687,950	9,385	(606,161)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	27,236	713,152
Transfers out	-	-	-	(350,000)	(150,000)	(36,621)	(236,809)
Total other financing sources (uses)	-	-	-	(350,000)	(150,000)	(9,385)	476,343
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	93,398	327,979	67,222	216,420	537,950	-	(129,818)
Cash and investments - ending	\$ 1,969,610	\$ 2,207,667	\$ 128,790	\$ 859,985	\$ 1,000,013	\$ -	\$ 1,494,204

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Construction	School Lunch	Textbook Rental	Educational License Plates	Early Intervention Grant	OVHS - PLTW (Gateway)	Library Donations
Cash and investments - beginning	\$ -	\$ 142,142	\$ 336,868	\$ 31	\$ -	\$ 1,634	\$ 507
Receipts:							
Local sources	-	365,928	150,695	-	-	-	500
Intermediate sources	-	-	-	-	-	-	-
State sources	-	7,631	104,911	-	35,970	-	-
Federal sources	-	724,223	-	-	-	-	-
Other receipts	-	100	250	-	-	-	-
Total receipts	-	1,097,882	255,856	-	35,970	-	500
Disbursements:							
Instruction	-	-	-	-	25,970	-	-
Support services	-	100	248,699	-	10,000	1,634	407
Noninstructional services	-	1,094,037	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	1,094,137	248,699	-	35,970	1,634	407
Excess (deficiency) of receipts over disbursements	-	3,745	7,157	-	-	(1,634)	93
Other financing sources (uses):							
Transfers in	-	31,613	-	-	-	-	-
Transfers out	-	(31,613)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,745	7,157	-	-	(1,634)	93
Cash and investments - ending	\$ -	\$ 145,887	\$ 344,025	\$ 31	\$ -	\$ -	\$ 600

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Wal-Mart Foundation	Spectrum Health/ Wellness	Cook Donation Fund	NEA Foundation - GES	Tech Pointe Foundation	FCCLA Team Nutrition	Fuel Up To Play 60
Cash and investments - beginning	\$ 140	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ 896
Receipts:							
Local sources	1,000	-	-	-	-	-	-
Intermediate sources	-	3,078	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	1,000	3,078	-	-	-	-	-
Disbursements:							
Instruction	1,135	-	-	-	-	-	896
Support services	-	3,078	-	500	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	1,135	3,078	-	500	-	-	896
Excess (deficiency) of receipts over disbursements	(135)	-	-	(500)	-	-	(896)
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	(135)	-	-	(500)	-	-	(896)
Cash and investments - ending	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	OVHS Printing	OVHS - Goat Farm	Living To Serve - OVHS FFA	State Farm - Mission Ignition	REMC Round Up MCES 2013-14	Owen County Drug Free 2015	After School Programs (JB)
Cash and investments - beginning	\$ 2,607	\$ 4,565	\$ 6,316	\$ 7,663	\$ 2,877	\$ -	\$ 1,830
Receipts:							
Local sources	-	-	-	650	-	-	-
Intermediate sources	348	4,193	-	3,200	2,777	5,000	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	348	4,193	-	3,850	2,777	5,000	-
Disbursements:							
Instruction	-	5,451	5,270	8,635	3,589	3,320	1,830
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	5,451	5,270	8,635	3,589	3,320	1,830
Excess (deficiency) of receipts over disbursements	348	(1,258)	(5,270)	(4,785)	(812)	1,680	(1,830)
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	348	(1,258)	(5,270)	(4,785)	(812)	1,680	(1,830)
Cash and investments - ending	\$ 2,955	\$ 3,307	\$ 1,046	\$ 2,878	\$ 2,065	\$ 1,680	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Owen County LLC Drug Free	Owen County LLC Drug Free 2016	Scholarships and Awards	Reimbursable Fund	Instructional Support	Boston Scientific - OVHS PLTW	SCI REMC After School
Cash and investments - beginning	\$ 2,000	\$ -	\$ -	\$ (745)	\$ 48	\$ -	\$ -
Receipts:							
Local sources	-	-	-	12,354	-	-	-
Intermediate sources	-	-	-	985	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	13,339	-	-	-
Disbursements:							
Instruction	2,000	-	-	652	-	-	-
Support services	-	-	-	11,129	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	2,000	-	-	11,781	-	-	-
Excess (deficiency) of receipts over disbursements	(2,000)	-	-	1,558	-	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,000)	-	-	1,558	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 813	\$ 48	\$ -	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Formative Assessment	GT High Ability 2013-14	GT High Ability 2014-15	GT High Ability 2015-16	Drug Free Communities	Medicaid Reimbursement	Secured Schools Safety Grant
Cash and investments - beginning	\$ -	\$ 952	\$ -	\$ -	\$ 301	\$ 6,770	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	36,680	-	-	46,255	30,000
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	36,680	-	-	46,255	30,000
Disbursements:							
Instruction	-	952	30,301	-	-	-	-
Support services	-	-	-	-	-	20,975	26,099
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	952	30,301	-	-	20,975	26,099
Excess (deficiency) of receipts over disbursements	-	(952)	6,379	-	-	25,280	3,901
Other financing sources (uses):							
Transfers in	-	-	3,470	-	-	-	41,480
Transfers out	-	-	(3,470)	-	-	-	(45,381)
Total other financing sources (uses)	-	-	-	-	-	-	(3,901)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(952)	6,379	-	-	25,280	-
Cash and investments - ending	\$ -	\$ -	\$ 6,379	\$ -	\$ 301	\$ 32,050	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Safe Haven - MCES	Afternoons R.O.C.K. MCES 11-12	Afternoons R.O.C.K. MCES 12-13	Afternoons R.O.C.K. SES 12-13	Safe Haven 2014-15	Safe Haven 2015-16	After School Programs SES
Cash and investments - beginning	\$ 7	\$ 388	\$ 2,083	\$ 1,117	\$ -	\$ -	\$ 10,523
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	3,750	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	3,750	-	-
Disbursements:							
Instruction	7	388	1,320	1,117	11,850	-	8,340
Support services	-	-	-	-	-	-	30
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	7	388	1,320	1,117	11,850	-	8,370
Excess (deficiency) of receipts over disbursements	(7)	(388)	(1,320)	(1,117)	(8,100)	-	(8,370)
Other financing sources (uses):							
Transfers in	-	-	-	-	11,850	-	-
Transfers out	-	-	-	-	(3,750)	-	-
Total other financing sources (uses)	-	-	-	-	8,100	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7)	(388)	(1,320)	(1,117)	-	-	(8,370)
Cash and investments - ending	\$ -	\$ -	\$ 763	\$ -	\$ -	\$ -	\$ 2,153

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Non-English Speaking Programs	State Connectivity Grant	Miscellaneous Programs	Title I 2013-14	Title I 2014-15	Title I 2015-16	Title I School Improvement 2014-15
Cash and investments - beginning	\$ 318	\$ 1,181	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	3,669	-	-	-	-	-
Federal sources	-	-	-	225,298	358,667	-	4,000
Other receipts	-	-	-	-	-	-	-
Total receipts	-	3,669	-	225,298	358,667	-	4,000
Disbursements:							
Instruction	-	-	-	134,236	286,550	-	-
Support services	-	3,791	-	46,935	105,862	-	4,000
Noninstructional services	-	-	-	3,219	4,707	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	3,791	-	184,390	397,119	-	4,000
Excess (deficiency) of receipts over disbursements	-	(122)	-	40,908	(38,452)	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	72,582	-	-
Transfers out	-	-	-	(40,908)	(34,130)	-	-
Total other financing sources (uses)	-	-	-	(40,908)	38,452	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(122)	-	-	-	-	-
Cash and investments - ending	\$ 318	\$ 1,059	\$ -	\$ -	\$ -	\$ -	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
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 For the Year Ended June 30, 2015

	Stewart Homeless Assistance Act	Adult Basic Education	Medicaid Reimbursement - Federal	Title II Part A 2012-14	Title II Part A 2013-15	Title II Part A 2014-16	Title II Part A 2015-17
Cash and investments - beginning	\$ -	\$ 42,030	\$ 181,607	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	86,651	103,689	11,875	1,019	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	86,651	103,689	11,875	1,019	-
Disbursements:							
Instruction	-	6,806	6,637	-	-	-	-
Support services	7,819	-	19,268	101,723	12,004	1,721	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	7,819	6,806	25,905	101,723	12,004	1,721	-
Excess (deficiency) of receipts over disbursements	(7,819)	(6,806)	60,746	1,966	(129)	(702)	-
Other financing sources (uses):							
Transfers in	7,819	-	-	-	1,941	702	-
Transfers out	-	-	-	(1,966)	(1,812)	-	-
Total other financing sources (uses)	7,819	-	-	(1,966)	129	702	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(6,806)	60,746	-	-	-	-
Cash and investments - ending	\$ -	\$ 35,224	\$ 242,353	\$ -	\$ -	\$ -	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Rural Schools and Low Income Program - Pass Through State	Rural and Low Income Schools 2015-16	Rural and Low Income Schools 2016-17	Payroll Withholdings	Prepaid School Lunch	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 1,558,347	\$ 8,330	\$ 8,870,951
Receipts:						
Local sources	-	-	-	-	-	10,827,140
Intermediate sources	-	-	-	-	-	21,468
State sources	-	-	-	-	-	17,232,048
Federal sources	45,886	-	-	-	-	1,561,308
Other receipts	-	-	-	3,967,151	3,924	4,100,013
Total receipts	45,886	-	-	3,967,151	3,924	33,741,977
Disbursements:						
Instruction	26,197	24,745	-	-	-	13,258,148
Support services	17,560	1,999	-	-	-	9,731,754
Noninstructional services	-	-	-	-	-	1,165,922
Facilities acquisition and construction	-	-	-	-	-	610,197
Debt service	-	-	-	-	-	3,822,946
Nonprogrammed charges	-	-	-	4,473,001	3,608	4,476,609
Total disbursements	43,757	26,744	-	4,473,001	3,608	33,065,576
Excess (deficiency) of receipts over disbursements	2,129	(26,744)	-	(505,850)	316	676,401
Other financing sources (uses):						
Transfers in	11,372	26,744	-	-	-	949,961
Transfers out	(13,501)	-	-	-	-	(949,961)
Total other financing sources (uses)	(2,129)	26,744	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(505,850)	316	676,401
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 1,052,497	\$ 8,646	\$ 9,547,352

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,969,610	\$ 2,207,667	\$ 128,790	\$ 859,985	\$ 1,000,013	\$ -	\$ 1,494,204
Receipts:							
Local sources	766,594	3,515,201	244,095	2,011,828	2,706,808	47,722	61,351
Intermediate sources	1,785	-	-	-	-	-	-
State sources	17,113,273	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	95,760	-	-	15,000	88	-	-
Total receipts	17,977,412	3,515,201	244,095	2,026,828	2,706,896	47,722	61,351
Disbursements:							
Instruction	12,374,876	-	-	-	-	-	92,921
Support services	5,114,131	-	-	955,110	2,035,551	31,774	51,829
Noninstructional services	63,438	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	542,376	-	-	-
Debt service	-	3,352,776	238,576	-	-	-	577
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	17,552,445	3,352,776	238,576	1,497,486	2,035,551	31,774	145,327
Excess (deficiency) of receipts over disbursements	424,967	162,425	5,519	529,342	671,345	15,948	(83,976)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	11,289	931,136
Transfers out	-	-	-	(325,000)	(400,000)	(27,237)	(234,972)
Total other financing sources (uses)	-	-	-	(325,000)	(400,000)	(15,948)	696,164
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	424,967	162,425	5,519	204,342	271,345	-	612,188
Cash and investments - ending	\$ 2,394,577	\$ 2,370,092	\$ 134,309	\$ 1,064,327	\$ 1,271,358	\$ -	\$ 2,106,392

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Construction	School Lunch	Textbook Rental	Educational License Plates	Early Intervention Grant	OVHS - PLTW (Gateway)	Library Donations
Cash and investments - beginning	\$ -	\$ 145,887	\$ 344,025	\$ 31	\$ -	\$ -	\$ 600
Receipts:							
Local sources	-	337,460	155,003	-	-	-	500
Intermediate sources	-	-	-	-	-	-	-
State sources	-	7,757	132,293	-	-	-	-
Federal sources	-	794,340	-	-	-	-	-
Temporary loans	947,000	-	-	-	-	-	-
Other receipts	-	400	250	-	-	-	-
Total receipts	947,000	1,139,957	287,546	-	-	-	500
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	74,262	200	302,476	-	-	-	594
Noninstructional services	-	1,185,404	-	-	-	-	-
Facilities acquisition and construction	27,570	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	101,832	1,185,604	302,476	-	-	-	594
Excess (deficiency) of receipts over disbursements	845,168	(45,647)	(14,930)	-	-	-	(94)
Other financing sources (uses):							
Transfers in	-	16,730	-	-	-	-	-
Transfers out	-	(16,730)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	845,168	(45,647)	(14,930)	-	-	-	(94)
Cash and investments - ending	\$ 845,168	\$ 100,240	\$ 329,095	\$ 31	\$ -	\$ -	\$ 506

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Wal-Mart Foundation	Spectrum Health/ Wellness	Cook Donation Fund	NEA Foundation - GES	Tech Pointe Foundation	FCCLA Team Nutrition	Fuel Up To Play 60
Cash and investments - beginning	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	5,000	-	209	1,500	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	5,000	-	209	1,500	-
Disbursements:							
Instruction	5	-	-	-	209	344	-
Support services	-	-	297	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	5	-	297	-	209	344	-
Excess (deficiency) of receipts over disbursements	(5)	-	4,703	-	-	1,156	-
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	(5)	-	4,703	-	-	1,156	-
Cash and investments - ending	\$ -	\$ -	\$ 4,703	\$ -	\$ -	\$ 1,156	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	OVHS Printing	OVHS - Goat Farm	Living To Serve - OVHS FFA	State Farm - Mission Ignition	REMC Round Up MCES 2013-14	Owen County Drug Free 2015	After School Programs (JB)
Cash and investments - beginning	\$ 2,955	\$ 3,307	\$ 1,046	\$ 2,878	\$ 2,065	\$ 1,680	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	300	6,187	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	300	6,187	-	-	-	-	-
Disbursements:							
Instruction	300	7,066	-	2,077	2,065	1,680	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	300	7,066	-	2,077	2,065	1,680	-
Excess (deficiency) of receipts over disbursements	-	(879)	-	(2,077)	(2,065)	(1,680)	-
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	-	(879)	-	(2,077)	(2,065)	(1,680)	-
Cash and investments - ending	\$ 2,955	\$ 2,428	\$ 1,046	\$ 801	\$ -	\$ -	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Owen County LLC Drug Free	Owen County LLC Drug Free 2016	Scholarships and Awards	Reimbursable Fund	Instructional Support	Boston Scientific - OVHS PLTW	SCI REMC After School
Cash and investments - beginning	\$ -	\$ -	\$ -	813	48	-	-
Receipts:							
Local sources	-	3,000	3,000	23,324	-	12,800	2,250
Intermediate sources	-	-	-	1,032	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	20	-	-	-
Total receipts	-	3,000	3,000	24,376	-	12,800	2,250
Disbursements:							
Instruction	-	2,478	-	14,320	-	11,408	268
Support services	-	-	-	11,386	48	611	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	2,478	-	25,706	48	12,019	268
Excess (deficiency) of receipts over disbursements	-	522	3,000	(1,330)	(48)	781	1,982
Other financing sources (uses):							
Transfers in	-	-	-	517	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	517	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	522	3,000	(813)	(48)	781	1,982
Cash and investments - ending	\$ -	\$ 522	\$ 3,000	\$ -	\$ -	\$ 781	\$ 1,982

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Formative Assessment	GT High Ability 2013-14	GT High Ability 2014-15	GT High Ability 2015-16	Drug Free Communities	Medicaid Reimbursement	Secured Schools Safety Grant
Cash and investments - beginning	\$ -	\$ -	\$ 6,379	\$ -	\$ 301	\$ 32,050	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	27,539	-	-	36,722	-	36,816	30,000
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	27,539	-	-	36,722	-	36,816	30,000
Disbursements:							
Instruction	-	-	6,072	34,316	-	-	-
Support services	20,098	-	307	-	-	55,674	18,984
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	20,098	-	6,379	34,316	-	55,674	18,984
Excess (deficiency) of receipts over disbursements	7,441	-	(6,379)	2,406	-	(18,858)	11,016
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	9,039
Transfers out	-	-	-	-	-	-	(20,055)
Total other financing sources (uses)	-	-	-	-	-	-	(11,016)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,441	-	(6,379)	2,406	-	(18,858)	-
Cash and investments - ending	\$ 7,441	\$ -	\$ -	\$ 2,406	\$ 301	\$ 13,192	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Safe Haven - MCES	Afternoons R.O.C.K. MCES 11-12	Afternoons R.O.C.K. MCES 12-13	Afternoons R.O.C.K. SES 12-13	Safe Haven 2014-15	Safe Haven 2015-16	After School Programs SES
Cash and investments - beginning	\$ -	\$ -	\$ 763	\$ -	\$ -	\$ -	\$ 2,153
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	8,250	7,827	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	8,250	7,827	-
Disbursements:							
Instruction	-	-	64	-	150	12,077	801
Support services	-	-	-	-	-	604	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	64	-	150	12,681	801
Excess (deficiency) of receipts over disbursements	-	-	(64)	-	8,100	(4,854)	(801)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	7,157	-
Transfers out	-	-	-	-	(8,100)	(2,303)	-
Total other financing sources (uses)	-	-	-	-	(8,100)	4,854	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(64)	-	-	-	(801)
Cash and investments - ending	\$ -	\$ -	\$ 699	\$ -	\$ -	\$ -	\$ 1,352

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Non-English Speaking Programs	State Connectivity Grant	Miscellaneous Programs	Title I 2013-14	Title I 2014-15	Title I 2015-16	Title I School Improvement 2014-15
Cash and investments - beginning	\$ 318	\$ 1,059	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	4,404	-	-	-	-	-
Federal sources	-	-	-	-	232,282	269,820	2,000
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	4,404	-	-	232,282	269,820	2,000
Disbursements:							
Instruction	9	-	-	-	158,587	268,160	-
Support services	-	4,299	-	-	34,516	94,925	2,000
Noninstructional services	-	-	-	-	727	5,829	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	9	4,299	-	-	193,830	368,914	2,000
Excess (deficiency) of receipts over disbursements	(9)	105	-	-	38,452	(99,094)	-
Other financing sources (uses):							
Transfers in	-	-	20,098	-	-	139,004	-
Transfers out	-	-	(20,098)	-	(38,452)	(39,910)	-
Total other financing sources (uses)	-	-	-	-	(38,452)	99,094	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9)	105	-	-	-	-	-
Cash and investments - ending	\$ 309	\$ 1,164	\$ -	\$ -	\$ -	\$ -	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Stewart Homeless Assistance Act	Adult Basic Education	Medicaid Reimbursement - Federal	Title II Part A 2012-14	Title II Part A 2013-15	Title II Part A 2014-16	Title II Part A 2015-17
Cash and investments - beginning	\$ -	\$ 35,224	\$ 242,353	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	9,947	-	69,176	-	116,608	10,153	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	2,576	-	-	-	-
Total receipts	9,947	-	71,752	-	116,608	10,153	-
Disbursements:							
Instruction	617	10,288	4,943	-	100,000	-	-
Support services	8,655	-	40,966	-	16,245	9,771	418
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	9,272	10,288	45,909	-	116,245	9,771	418
Excess (deficiency) of receipts over disbursements	675	(10,288)	25,843	-	363	382	(418)
Other financing sources (uses):							
Transfers in	9,271	-	-	-	-	2,429	418
Transfers out	(9,946)	-	-	-	(363)	(2,811)	-
Total other financing sources (uses)	(675)	-	-	-	(363)	(382)	418
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(10,288)	25,843	-	-	-	-
Cash and investments - ending	\$ -	\$ 24,936	\$ 268,196	\$ -	\$ -	\$ -	\$ -

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Rural Schools and Low Income Program - Pass Through State	Rural and Low Income Schools 2015-16	Rural and Low Income Schools 2016-17	Payroll Withholdings	Prepaid School Lunch	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 1,052,497	\$ 8,646	\$ 9,547,352
Receipts:						
Local sources	-	-	-	-	-	9,897,645
Intermediate sources	-	-	-	-	-	9,304
State sources	-	-	-	-	-	17,404,881
Federal sources	4,673	48,462	-	-	-	1,557,461
Temporary loans	-	-	-	-	-	947,000
Other receipts	-	-	-	3,875,449	172,130	4,161,673
Total receipts	4,673	48,462	-	3,875,449	172,130	33,977,964
Disbursements:						
Instruction	-	10,895	27,906	-	-	13,144,902
Support services	(260)	13,483	-	-	-	8,898,954
Noninstructional services	-	-	-	-	-	1,255,398
Facilities acquisition and construction	-	-	-	-	-	569,946
Debt service	-	-	-	-	-	3,591,929
Nonprogrammed charges	-	-	-	4,343,109	166,050	4,509,159
Total disbursements	(260)	24,378	27,906	4,343,109	166,050	31,970,288
Excess (deficiency) of receipts over disbursements	4,933	24,084	(27,906)	(467,660)	6,080	2,007,676
Other financing sources (uses):						
Transfers in	-	7,844	27,906	-	-	1,182,838
Transfers out	(4,933)	(31,928)	-	-	-	(1,182,838)
Total other financing sources (uses)	(4,933)	(24,084)	27,906	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(467,660)	6,080	2,007,676
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 584,837	\$ 14,726	\$ 11,555,028

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SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 197,040</u>	<u>\$ 157,283</u>

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Dell Financial Services	Computers	\$ 35,683	8/1/2014	8/1/2017
Owen Valley High School Building Corporation	Construction Projects	234,000	12/9/2015	12/31/2021
Owen Valley High School Building Corporation	Construction/OVHS	510,000	1/15/2013	1/15/2025
Pitney Bowes	Postage Machine	2,100	2/17/2016	5/17/2021
Spencer-Owen Facility Improvement Corporation	Construction/PES & GES	636,000	1/15/2010	1/15/2020
Toshiba Business Solutions	PES Copy Machine	2,504	6/27/2016	6/27/2021
Toshiba Business Solutions	Copy Machines/Copiers	<u>29,334</u>	8/27/2013	8/27/2017
Total governmental activities		<u>1,449,621</u>		
Total of annual lease payments		<u>\$ 1,449,621</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	2010 Qualified School Construction Bonds		\$ 1,058,975	\$ 242,296
General obligation bonds	Retirement/Severance Bonds		1,345,000	227,589
Notes and loans payable	Common School Loans		<u>12,445,738</u>	<u>1,796,281</u>
Total governmental activities			<u>14,849,713</u>	<u>2,266,166</u>
Totals			<u>\$ 14,849,713</u>	<u>\$ 2,266,166</u>

SPENCER-OWEN COMMUNITY SCHOOLS
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2016

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

	Ending Balance
Governmental activities:	
Land	\$ 291,000
Buildings	56,940,574
Improvements other than buildings	861,172
Machinery, equipment, and vehicles	3,338,275
Construction in progress	2,882,000
Books and other	<u>283,755</u>
Total governmental activities	<u>64,596,776</u>
Total capital assets	<u><u>\$ 64,596,776</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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 SPENCER-OWEN COMMUNITY SCHOOLS, OWEN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Spencer-Owen Community Schools' (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.

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.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003 and 2016-004. 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

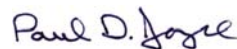
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over 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, 2016-003, 2016-004, and 2016-005 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

SPENCER-OWEN COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed 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	FY2014-2015	\$ -	\$ 141,021	\$ -	\$ -
			FY2015-2016	-	-	-	222,761
Total - School Breakfast Program				-	141,021	-	222,761
National School Lunch Program	Indiana Department of Education	10.555	FY2014-2015	-	583,202	-	-
			FY2015-2016	-	-	-	571,254
Commodities			FY2014-2015	-	15,381	-	-
			FY2015-2016	-	-	-	123,874
Total - National School Lunch Program				-	598,583	-	695,128
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY2015-2016	-	-	-	324
Total - Child Nutrition Cluster				-	739,604	-	918,213
Total - Department of Agriculture				-	739,604	-	918,213
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027	14213-065-PN01	-	131	-	-
			14214-065-PN01	-	199,224	-	7,230
			14215-065-PN01	-	269,300	-	381,737
			14216-063-PN01	-	-	-	392,371
			99914-065-TA01	-	7,633	-	5,182
Total - Special Education_Grants to States				-	476,288	-	786,520
Special Education_Preschool Grants	Indiana Department of Education	84.173	45714-065-PN01	-	1,093	-	1,537
			45715-065-PN01	-	-	-	12,529
Total - Special Education_Preschool Grants				-	1,093	-	14,066
Total - Special Education Cluster (IDEA)				-	477,381	-	800,586
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	14-6195	-	225,298	-	-
			15-6195	-	358,667	-	232,283
			16-6195	-	-	-	269,821
			15-6195	-	4,000	-	2,000
Total - Title I Grants to Local Educational Agencies				-	587,965	-	504,104

SPENCER-OWEN COMMUNITY SCHOOLS
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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Education for Homeless Children and Youth	Indiana Department of Education	84.196	A58-5-15SS-2800	-	-	-	9,946
Total - Education for Homeless Children and Youth				-	-	-	9,946
Rural Education	Indiana Department of Education	84.358					
			FY13	-	45,886	-	4,673
			FY14	-	-	-	48,461
Total - Rural Education				-	45,886	-	53,134
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
			13-6195	-	103,689	-	-
			14-6195	-	11,875	-	116,608
			15-6195	-	1,019	-	10,153
Total - Improving Teacher Quality State Grants				-	116,583	-	126,761
Total - Department of Education				-	1,227,815	-	1,494,531
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
Indiana MAC & IEP Medical Claims			FY2014-2015	-	8,384	-	-
Indiana MAC & IEP Medical Claims			FY2015-2016	-	-	-	3,760
Total - Medicaid Cluster				-	8,384	-	3,760
Total - Department of Health and Human Services				-	8,384	-	3,760
Total federal awards expended				\$ -	\$ 1,975,803	\$ -	\$ 2,416,504

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

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

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation 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. *Special Education Cooperative*

The School Corporation is a member of the Forest Hills Special Education Cooperative (Cooperative) which 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 for the School Corporation. This activity is reported on the financial statement of the Cooperative's LEA.

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
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 from the immediately prior audit. The prior audit finding number was Finding 2014-001.

Condition

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

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway), which was the source of the School Corporation's SEFA. One employee prepared the federal award information entered into Gateway without a control process in place to ensure its accuracy before submission.

Context

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were overstated by \$218,586 for fiscal year 2015 and \$138,045 for fiscal year 2016. This included the omission of commodities in fiscal year 2015 totaling \$15,381.
2. The Special Education Cluster (IDEA) was overstated by \$94,720 for fiscal year 2015 and understated \$220,829 for fiscal year 2016 due to reporting disbursements for reimbursement grants instead of receipts.
3. The Medical Assistance Program was understated by \$8,384 for fiscal year 2015 and overstated by \$65,416 for fiscal year 2016.
4. Two of ten program titles were incorrectly reported.

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

Criteria

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

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

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

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

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. . . ."

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

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*.

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-002

Subject: School Breakfast Program and National School Lunch Program - Internal Controls
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): FY2014-2015, FY2015-2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-002.

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 following compliance requirements:

Cash Management

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

Program Income

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

Reporting

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

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

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

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

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

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

Context

The lack of controls were a systemic issue during the entire audit period for the Cash Management and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements. The lack of controls over Program Income, Reporting, and Special Tests and Provisions - Paid Lunch Equity were a systemic issue isolated to the 2015 school year.

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). . . ."

Cause

The School Corporation's management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

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

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-003

Subject: School Breakfast Program and National School Lunch Program -
Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): FY2014-2015
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 school corporation of the Central Indiana Commodity Cooperative (Co-op). The Co-op negotiated vendor contracts for food used to provide meals in the Child Nutrition Cluster for member school corporations. An effective internal control system was not in place at the Co-op in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The Co-op accepted sealed bids and awarded an annual bid for Commodity Pass-Through-Value Products. The procurement was above the Simplified Acquisition Threshold (greater than \$150,000) and the invitation to bid stated this was a sealed bid, but a publisher's affidavit was not presented for audit.

An annual bid for commodities was accepted, but there was no signed contract or notice of award issued to document the accepted bid. Procurement records did not identify a rationale for accepting renewal of a fiscal year 2014 commodity bid for the subsequent fiscal year 2015.

The Co-op solicited bids for the purchase of bread and dairy products for fiscal year 2015; however, no agreements were signed with the successful vendor. Procurement records were not sufficient to determine the results of voting by member school corporations.

The Co-op did not verify that the vendors was not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to awarding the bid.

Context

Internal control and noncompliance issues were systemic during fiscal year 2015.

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

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 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply.

(1) In order for sealed bidding to be feasible, the following conditions should be present:

(i) A complete, adequate, and realistic specification or purchase description is available;

(ii) Two or more responsible bidders are willing and able to compete effectively for the business; and

(iii) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(2) If sealed bids are used, the following requirements apply:

(i) Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publically advertised;

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

(ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;

(iii) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;

(iv) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and

(v) Any or all bids may be rejected if there is a sound documented reason. . . ."

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

Cause

Management had not developed a system of internal controls that would have ensured that the Co-op complied with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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

Views of Responsible Officials

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

FINDING 2016-004

Subject: School Breakfast Program and National School Lunch Program - Eligibility
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 2014-2015, FY2015-2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-002.

Condition

An effective internal control system was not in place to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement.

The fiscal year 2016 Application for Free and Reduced Price School Meals submitted for one School Corporation employee's dependent was approved for reduced benefits based on the reported net pay of the household (both parents were employees of the School Corporation). If gross income had been properly completed, as required, the application would not have meet the standards for any benefits.

Context

The lack of effective internal controls was a systemic issue during the audit period. Noncompliance was isolated to fiscal year 2016.

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. . . ."

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

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). . . ."

7 CFR 245.6(c)(4) states:

"*Calculating income.* The local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in § 245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in § 245.2, the children in that household must be approved for free or reduced price benefits, as applicable."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Indiana Department of Education's parent letter and instructions states in part: ". . . Report all amounts in GROSS INCOME ONLY. . . . Gross income is the total income received before taxes . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Eligibility compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to ensure compliance with the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

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

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

FINDING 2016-005

Subject: Special Education Cluster (IDEA) - Internal Controls

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-065-PN01, 14214-065-PN01,
14215-065-PN01, 14216-063-PN01,
45714-065-PN01, 45715-065-PN01,
99914-065-TA01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles;
Cash Management; Matching, Level of Effort, Earmarking; Period
of Performance; Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit regarding Cash Management, Reporting, and Period of Performance. The prior audit finding number was 2014-004.

Condition

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

Management of the Cooperative had not established an effective internal control system related to the grant agreement and the Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; and Reporting compliance requirements.

Cash Management, Earmarking, and Reporting

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

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance

The Cooperative had not designed or implemented adequate policies or procedures to ensure that expenditures were properly charged to the applicable federal grants. Adjustments made to Special Education Cluster (IDEA) programs were not reviewed by someone other than the individual making the adjustments. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of effective controls was a systemic issue during fiscal year 2015.

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

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. . . ."

Cause

Management had not developed a system of internal control that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above.

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 compliance requirements listed above.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

Spencer-Owen Community Schools

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

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Chad Cooper, *Vice President*
Amber Willen, *Secretary*
Larry Hight, *Secretary Pro Tem*
Sonia Brinson
Lew Moke
Jack White

Administration:

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

May 31, 2018

Summary Schedule of Prior Audit Findings

Finding 2014-001

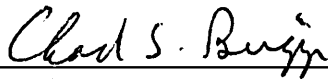
Pass-Through Entity, Indiana Department of Education

Contact Person Responsible for Correction Action: Dr. Chad Briggs, Superintendent

Contract Phone Number 812-829-2233

Status of Audit Finding:

In regard to the Schedule of Federal Awards, the Treasurer and School Lunch Director are working together to report commodities and federal fund receipts and expenditures in the School Lunch Cluster. We have gained insight of accurate reporting of commodities from a website. The Treasurer is working with the Forest Hills Special Education Co-op to ensure accuracy of reporting of the grants handled by their LEA, Richland Bean Blossom C.S.C. The Treasurer has gained knowledge regarding program titles in the Federal Clearing House. We will continue to work on correcting this finding.



Signature



Signature

Superintendent

Title

Treasurer

Title

May 31, 2018

Date

May 31, 2018

Date

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Administration:

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

May 31, 2018

Summary Schedule of Prior Audit Findings

Finding 2014-002

Pass-Through Entity, Indiana Department of Education

Contact Person Responsible for Correction Action: Dr. Chad Briggs, Superintendent

Contract Phone Number 812-829-2233

Status of Audit Finding:

Cash Management

The School Lunch Director was checking the monthly cash balance but not in a spreadsheet. She continues to check and started the spreadsheet in May of 2018. We are continuing to work on correcting this finding.

Program Income

The Technology and Food Service Reporting Assistant provides a spreadsheet to the Unit Leader of each cafeteria to be completed daily. They record the actual deposit amount and the total cash recorded in the software system. Both totals should match. They turn this report in to the Technology and Food Service Reporting Assistant weekly for verification. The spreadsheets are initialed and dated by all parties. This issue was resolved as of 2015-2016 school year.

Reporting

The Technology and Food Service Assistant prepares the monthly reimbursement and annual report. The School Lunch Director and/or Treasurer verify accuracy before the report is submitted to the DOE. Copies of the report are initialed and dated by all parties. This issue was resolved as of 2015-2016 school year.

Special Tests and Provisions – Verification of Free and Reduced Applications

The Technology and Food Service Assistant completes annual verification of Free/Reduced Applications. The Deputy Treasurer reviews a percentage for accuracy. The reports are initialed and dated. We are continuing to work on correcting this finding.

Special Tests and Provisions – Paid Lunch Equity

The Technology and Food Service Assistant or School Lunch Director completes the Paid Lunch Equity calculator annually and submits the completed report to the Superintendent for review. We were exempt from this calculation for the 2017-2018 school year. This issue was resolved as of 2015-2016 school year.

Chad S. Benzig
Signature

Olivia M. Weyer
Signature

Superintendent
Title

School Lunch Director
Title

May 31, 2018
Date

May 31, 2018
Date

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Sonia Brinson
Lew Moke
Jack White

Administration:

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

May 31, 2018

Summary Schedule of Prior Audit Findings

Finding 2014-003

Pass-Through Entity, Indiana Department of Education

Contact Person Responsible for Correction Action: Dr. Chad Briggs, Superintendent

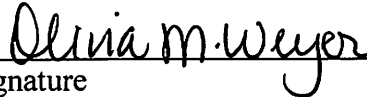
Contract Phone Number 812-829-2233

Status of Audit Finding:

There were no indirect costs submitted on the 2014-2015 Annual Financial Report. The Food Service Director reviewed the Annual Financial Report ending balance with the Treasurer prior to submitting to the state. These issues were resolved as of 2014-2015 school year.



Signature



Signature

Superintendent

Title

School Lunch Director

Title

May 31, 2018

Date

May 31, 2018

Date

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Lew Moke
Jack White

Administration:

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

May 31, 2018

Summary Schedule of Prior Audit Findings

Previous Audit Finding 2014-004

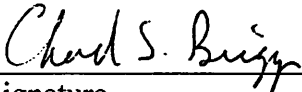
Pass-Through Entity, Indiana Department of Education

Contact Person Responsible for Correction Action: Dr. Chad Briggs, Superintendent

Contract Phone Number 812-829-2233

Description of Corrective Action Plan:

During the 2015-2016 school year, the Forest Hills Special Education Cooperative and LEA Richland Bean Blossom School Corporation began the process of implementing an effective Internal Control system, which included segregation of duties, related to grant agreements, Cash Management, Matching, Level of Effort, Earmarking, Reporting, Activities Allowed and Un-allowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements. The Director of Special Education or any authorized individual will continue to review and approve any adjustments or reimbursement requests. Monthly reports will continue to be sent to the Special Education Director and Spencer-Owen Community Schools. We continue to work to correct this finding.




Signature

Superintendent

Title

May 31, 2018

Date



Signature

Treasurer

Title

May 31, 2018

Date

Spencer-Owen Community Schools

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Jack White

Administration:

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

May 31, 2018

Corrective Action Plan

Finding 2016-001

Contact Person Responsible for Correction Action: Dr. Chad Briggs, Superintendent

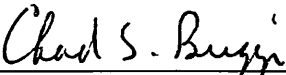
Contract Phone Number 812-829-2233

Views of Responsible Official: Spencer-Owen C.S.C. concurs with finding 2016-001.

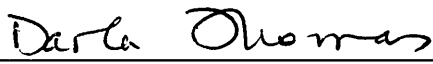
Description of Corrective Action Plan:

When the Schedule of Federal Awards is prepared, the Treasurer will verify fund titles with the Federal Clearing House. The Treasurer will work closely with the Forest Hills Special Education Co-op to ensure accuracy of reporting of the grants handled by their LEA, Richland Bean Blossom C.S.C. The Treasurer and School Lunch Director will locate accurate commodities dollars via the website referred by State Board of Accounts. Once prepared, the Superintendent and curriculum Director will review for accuracy prior to submitting. A copy of the schedule will be printed, signed, and retained for future audits.

Anticipated Completion Date: Correction Action Plan should be fully corrected within the 2017-2018 school year.



Signature



Signature

Superintendent

Title

Treasurer

Title

May 31, 2018

Date

May 31, 2018

Date

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Lew Moke
Jack White

Administration:

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

May 31, 2018

Corrective Action Plan

Finding 2016-002

Contact Person Responsible for Correction Action: Dr. Chad Briggs, Superintendent
Contract Phone Number 812-829-2233

Views of Responsible Official: Spencer-Owen C.S.C. concurs with finding 2016-002.

Description of Corrective Action Plan:

Cash Management

The food service director will create a spreadsheet including monthly school lunch fund balances. The end of month balance will be recorded monthly on the spreadsheet to ensure the balance doesn't exceed average expenditures for three months.

Program Income

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

Reporting

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

Special Tests and Provisions – Verification of Free and Reduced Applications

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

Special Tests and Provisions – Paid Lunch Equity

The Technology and Food Service Assistant or School Lunch Director will complete the Paid Lunch Equity calculator annually and submit the completed report to the Superintendent for review. We were exempt from this calculation for the 2018-2019 school year.

Anticipated Completion Date: Correction Action Plan should be fully corrected within the 2017-2018 school year.

Chad S. Buzyn
Signature

Olivia M. Weyer
Signature

Superintendent
Title

School Lunch Director
Title

May 31, 2018
Date

May 31, 2018
Date

Spencer-Owen Community Schools

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Lew Moke
Jack White

Administration:

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

May 31, 2018

Corrective Action Plan

Finding 2016-003

Contact Person Responsible for Correction Action: Dr. Chad Briggs, Superintendent
Contract Phone Number 812-829-2233

Views of Responsible Official: Spencer-Owen C.S.C. concurs with finding 2016-003.

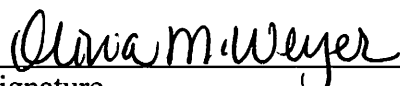
Description of Corrective Action Plan:

As of August 2015, Spencer-Owen Community Schools is no longer a member of the Cooperative. We now contract out the food service.

Anticipated Completion Date: Effective August 2015.



Signature



Signature

Superintendent

Title

School Lunch Director

Title

May 31, 2018

Date

May 31, 2018

Date

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Lew Moke
Jack White

Administration:

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

May 31, 2018

Corrective Action Plan

Finding 2016-004

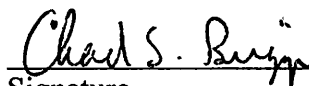
Contact Person Responsible for Correction Action: Dr. Chad Briggs, Superintendent
Contract Phone Number 812-829-2233

Views of Responsible Official: Spencer-Owen C.S.C. concurs with finding 2016-004.

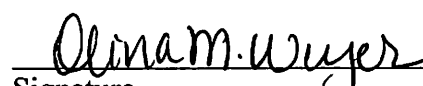
Description of Corrective Action Plan:

The Technology and Food Service Assistant will process applications using the corporation's software system. Upon completion, the Deputy Treasurer or School Lunch Director will review a random selection of applications to check for accuracy. Once reviewed, they will be initialed and dated by the Deputy Treasurer or School Lunch Director verifying that they are correct. This individual is no longer employed with the school corporation.

Anticipated Completion Date: Correction Action Plan should be fully corrected within the 2017-2018 school year.



Signature



Signature

Superintendent

Title

School Lunch Director

Title

May 31, 2018

Date

May 31, 2018

Date

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Lew Moke
Jack White

Administration:

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

May 31, 2018

Corrective Action Plan

Finding 2016-005

Contact Person Responsible for Correction Action: Dr. Chad Briggs, Superintendent
Contract Phone Number 812-829-2233

Views of Responsible Official: Spencer-Owen C.S.C. concurs with finding 2016-005.

Description of Corrective Action Plan:

During the 2015-2016 school year, the Forest Hills Special Education Cooperative and LEA Richland Bean Blossom School Corporation began the process of implementing an effective Internal Control system, which included segregation of duties, related to grant agreements, Cash Management, Matching, Level of Effort, Earmarking, Reporting, Activities Allowed and Un-allowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements. The Director of Special Education or any authorized individual will continue to review and approve any adjustments or reimbursement requests. Monthly reports will continue to be sent to the Special Education Director and Spencer-Owen Community Schools.

Anticipated Completion Date: Correction Action Plan should be fully corrected within the 2017-2018 school year.

Chad S. Briggs
Signature

Darla Thomas
Signature

Superintendent
Title

Treasurer
Title

May 31, 2018
Date

May 31, 2018
Date

OTHER REPORTS

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