

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NORTH SPENCER COUNTY
SCHOOL CORPORATION
SPENCER COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/22/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Martha Barnett	01-11-16 to 06-30-19
Superintendent of Schools	Daniel R. Scherry	07-01-16 to 06-30-19
President of the School Board	L. Elaine Daubenspeck Lori Gogel	01-01-16 to 12-31-17 01-01-18 to 12-31-19



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the North Spencer County School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, 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, 2016 to June 30, 2018.

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, 2016 to June 30, 2018, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 7, 2019, 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

February 7, 2019



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the North Spencer County School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated February 7, 2019, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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


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

Compliance and Other Matters

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

February 7, 2019

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

NORTH SPENCER COUNTY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 3,069,677	\$ 12,041,834	\$ 11,996,444	\$ 12,619	\$ 3,127,686	\$ 12,282,233	\$ 12,395,231	\$ 33,467	\$ 3,048,155
Debt Service	1,235,787	1,702,412	2,293,000	-	645,199	2,885,991	2,301,350	(4,747)	1,225,093
Retirement/Severance Bond Debt Service	149,976	241,647	263,356	-	128,267	339,748	263,235	(654)	204,126
Capital Projects	2,262,289	2,183,945	2,471,599	-	1,974,635	3,431,500	3,290,975	(363,899)	1,751,261
School Transportation	1,495,036	1,124,959	1,028,102	(500,000)	1,091,893	1,757,018	1,006,853	(3,035)	1,839,023
School Bus Replacement	641,960	270,961	203,949	-	708,972	218,086	308,818	(383)	617,857
Rainy Day	3,233,550	-	196,714	500,000	3,536,836	-	385,959	356,542	3,507,419
Construction	847,805	-	132,132	-	715,673	-	537,042	-	178,631
School Lunch	639,045	1,202,854	1,254,525	-	587,374	1,156,457	1,201,263	-	542,568
Textbook Rental	307,259	242,046	334,353	-	214,952	240,122	239,585	-	215,489
Self-Insurance	298,079	2,388,690	2,493,736	-	193,033	2,671,703	2,569,281	(10,000)	285,455
Levy Excess	-	-	-	-	-	-	-	16,176	16,176
Educational License Plates	3,138	113	-	-	3,251	206	-	-	3,457
HH/MS After School Program	1,628	1,578	1,826	-	1,380	-	-	-	1,380
Comprehensive Counseling Initiate Grant FY 16/17	-	30,000	24,512	-	5,488	-	5,488	-	-
Comprehensive Counseling Initiate Grant FY 17/18	-	-	-	-	-	189,565	34,462	-	155,103
Community Foundation Grant	4,821	3,857	7,816	-	862	7,201	6,688	-	1,375
Trust/ISTA Section 125	4,788	-	-	-	4,788	-	4,788	-	-
Heros - Chrisney Elementary 2014/2015	3,441	-	376	-	3,065	-	2,236	(829)	-
Heros - David Turnham 2014/2015	1,831	-	1,042	-	789	-	-	(789)	-
Heros - Chrisney Elementary 2015/2016	8,640	-	1,281	-	7,359	-	4,794	(2,565)	-
Heros - David Turnham 2015/2016	16,505	22	11,654	-	4,873	-	-	(4,873)	-
Heros - Chrisney Elementary 2016/2017	-	1,800	237	-	1,563	2,363	3,436	3,394	3,884
Heros - Nancy Hanks 2015/2016	5,736	-	4,782	-	954	-	-	(954)	-
Heros - Nancy Hanks 2016/2017	-	15,065	9,950	-	5,115	24,628	27,951	954	2,746
Heros - David Turnham 2016/2017	-	800	586	-	214	862	3,471	5,662	3,267
Heros - Middle School 2016/2017	-	15,815	11,981	-	3,834	15,128	11,291	-	7,671
Formative Assessment	(11,349)	34,282	22,933	-	-	20,010	20,010	-	-
AFGRE Grant 2017/2018	-	-	-	-	-	25,000	25,000	-	-
Vision Athena Grant Award	7,066	-	2,911	-	4,155	589	3,716	1,895	2,923
High Ability Grant 2015/2016	6,235	-	6,235	-	-	-	-	-	-
High Ability Grant 2016/2017	-	33,355	29,426	-	3,929	-	3,929	-	-

NORTH SPENCER COUNTY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
High Ability Grant 2017/2018	-	-	-	-	-	33,488	28,811	-	4,677
AHEC Anatomy & Physiology #1	-	4,378	4,378	-	-	-	-	-	-
AHEC Anatomy & Physiology #2	-	5,000	5,000	-	-	-	-	-	-
Secured Schools Safety Grant	-	-	18,689	-	(18,689)	9,345	8,536	-	(17,880)
Non-English Speaking Programs 2017/218	-	-	-	-	-	17,500	15,315	-	2,185
Non-English Speaking Programs P.L. 273-1999 2015/2016	1,991	-	1,991	-	-	-	-	-	-
School Technology	38,662	15,781	21,921	-	32,522	14,250	37,110	-	9,662
Career and Technical Performance Grant	-	13,065	3,550	-	9,515	12,204	3,000	-	18,719
Performance Based Awards	-	181,510	181,510	-	-	57,066	57,066	-	-
Senator David Ford Technology FY 18	-	-	-	-	-	-	7,770	-	(7,770)
Project Lead the Way	-	-	-	-	-	10,000	2,515	-	7,485
Tobacco Grant 2015/2017	(2,240)	30,394	30,223	-	(2,069)	2,724	655	-	-
Tobacco Grant 2017/2019	-	-	-	-	-	23,383	25,563	-	(2,180)
Intelenet Commission	1,895	-	-	-	1,895	-	-	(1,895)	-
College Success Coalition	50	-	50	-	-	29,700	45	-	29,655
Title I 2015/2016	(8,775)	16,515	7,740	-	-	-	-	-	-
Title I 2017/2018	-	-	-	-	-	102,864	131,305	-	(28,441)
Title I 2016/2017	-	123,029	130,531	-	(7,502)	26,404	18,902	-	-
Medicaid Reimbursement - Federal	88,749	33,906	18,222	(12,619)	91,814	46,517	4,857	(23,467)	110,007
Improving Teacher Quality, No Child Left, Title II, Part A 2017/2018	-	-	-	-	-	15,505	30,501	-	(14,996)
Title III - English Proficiency Migrant 2016/2017	-	13,411	13,682	-	(271)	351	80	-	-
Title III - English Proficiency Migrant 2017/2018	-	-	-	-	-	11,253	11,253	-	-
Title III 2015/2016	(1,224)	1,224	200	-	(200)	-	(200)	-	-
Improving Teacher Quality, No Child Left, Title II, Part A 2014/2016	(347)	347	-	-	-	-	-	-	-
Improving Teacher Quality, No Child Left, Title II, Part A 2015/2017	(6,398)	44,997	44,865	-	(6,266)	13,383	7,117	-	-
Payroll Withholdings	188,722	4,442,704	4,398,181	-	233,245	4,422,040	4,458,428	-	196,857
Totals	\$ 14,534,028	\$ 26,462,296	\$ 27,686,191	\$ -	\$ 13,310,133	\$ 30,116,387	\$ 29,505,481	\$ -	\$ 13,921,039

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

NORTH SPENCER COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

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

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

Interfund loans. Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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.

Interfund loans. Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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

F. Other Financing Sources and Uses

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

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

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

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.

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

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Teachers' Retirement Fund

Plan Description

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

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

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

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

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.

B. Additional Pension Plan

The School Corporation also contributes to an additional pension plan unique to the School Corporation. Information regarding this plan may be obtained from the School Corporation.

Note 7. Negative Disbursements

The financial statement contains disbursements which appear as negative entries. This is a result of an error made in the prior period that was corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative disbursement was shown in the current period.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2017 and 2018.

Note 9. Restatements

For the year ended June 30, 2017, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of June 30, 2016	Prior Period Adjustment	Balance as of July 1, 2016
Improving Teacher Quality, No Child Left, Title II, Part A 2015/2016	\$ (6,745)	\$ 6,745	\$ -
Improving Teacher Quality, No Child Left, Title II, Part A 2015/2017	-	(347)	(347)
Improving Teacher Quality, No Child Left, Title II, Part A 2015/2018	-	(6,398)	(6,398)

Note 10. Holding Corporation

The School Corporation has entered into a capital lease with North Spencer County Middle 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 ended June 30, 2017 and 2018, totaled \$2,098,400 and \$1,444,200, respectively.

OTHER INFORMATION - UNAUDITED

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

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

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

NORTH SPENCER COUNTY SCHOOL CORPORATION
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	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 3,069,677	\$ 1,235,787	\$ 149,976	\$ 2,262,289	\$ 1,495,036	\$ 641,960	\$ 3,233,550
Receipts:							
Local sources	235,670	1,702,412	241,647	2,183,945	1,124,959	194,602	-
Intermediate sources	761	-	-	-	-	-	-
State sources	11,805,403	-	-	-	-	76,359	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	12,041,834	1,702,412	241,647	2,183,945	1,124,959	270,961	-
Disbursements:							
Instruction	8,375,752	-	-	-	-	-	-
Support services	3,261,922	-	-	772,954	991,691	203,949	-
Noninstructional services	356,870	-	-	-	-	-	-
Facilities acquisition and construction	1,900	-	-	1,698,645	36,411	-	196,714
Debt service	-	2,293,000	263,356	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	11,996,444	2,293,000	263,356	2,471,599	1,028,102	203,949	196,714
Excess (deficiency) of receipts over disbursements	45,390	(590,588)	(21,709)	(287,654)	96,857	67,012	(196,714)
Other financing sources (uses):							
Transfers in	12,619	-	-	-	-	-	500,000
Transfers out	-	-	-	-	(500,000)	-	-
Total other financing sources (uses)	12,619	-	-	-	(500,000)	-	500,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	58,009	(590,588)	(21,709)	(287,654)	(403,143)	67,012	303,286
Cash and investments - ending	\$ 3,127,686	\$ 645,199	\$ 128,267	\$ 1,974,635	\$ 1,091,893	\$ 708,972	\$ 3,536,836

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	Construction	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Educational License Plates	HH/MS After School Program
Cash and investments - beginning	\$ 847,805	\$ 639,045	\$ 307,259	\$ 298,079	\$ -	\$ 3,138	\$ 1,628
Receipts:							
Local sources	-	745,080	198,787	2,388,690	-	-	1,578
Intermediate sources	-	-	-	-	-	113	-
State sources	-	20,095	43,259	-	-	-	-
Federal sources	-	437,679	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	1,202,854	242,046	2,388,690	-	113	1,578
Disbursements:							
Instruction	132,132	-	-	-	-	-	1,826
Support services	-	-	334,353	-	-	-	-
Noninstructional services	-	1,173,731	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	80,794	-	2,493,736	-	-	-
Total disbursements	132,132	1,254,525	334,353	2,493,736	-	-	1,826
Excess (deficiency) of receipts over disbursements	(132,132)	(51,671)	(92,307)	(105,046)	-	113	(248)
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	(132,132)	(51,671)	(92,307)	(105,046)	-	113	(248)
Cash and investments - ending	\$ 715,673	\$ 587,374	\$ 214,952	\$ 193,033	\$ -	\$ 3,251	\$ 1,380

NORTH SPENCER COUNTY SCHOOL CORPORATION
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	Comprehensive Counseling Initiate Grant FY 16/17	Comprehensive Counseling Initiate Grant FY 17/18	Community Foundation Grant	Trust/ISTA Section 125	Heros - Chrisney Elementary 2014/2015	Heros - David Turnham 2014/2015	Heros - Chrisney Elementary 2015/2016
Cash and investments - beginning	\$ -	\$ -	\$ 4,821	\$ 4,788	\$ 3,441	\$ 1,831	\$ 8,640
Receipts:							
Local sources	30,000	-	3,857	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	30,000	-	3,857	-	-	-	-
Disbursements:							
Instruction	-	-	7,816	-	-	-	-
Support services	24,512	-	-	-	376	1,042	1,281
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	24,512	-	7,816	-	376	1,042	1,281
Excess (deficiency) of receipts over disbursements	5,488	-	(3,959)	-	(376)	(1,042)	(1,281)
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	5,488	-	(3,959)	-	(376)	(1,042)	(1,281)
Cash and investments - ending	\$ 5,488	\$ -	\$ 862	\$ 4,788	\$ 3,065	\$ 789	\$ 7,359

NORTH SPENCER COUNTY SCHOOL CORPORATION
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	Heros - David Turnham 2015/2016	Heros - Chrisney Elementary 2016/2017	Heros - Nancy Hanks 2015/2016	Heros - Nancy Hanks 2016/2017	Heros - David Turnham 2016/2017	Heros - Middle School 2016/2017	Formative Assessment
Cash and investments - beginning	\$ 16,505	\$ -	\$ 5,736	\$ -	\$ -	\$ -	\$ (11,349)
Receipts:							
Local sources	22	1,800	-	15,065	800	15,815	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	34,282
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	22	1,800	-	15,065	800	15,815	34,282
Disbursements:							
Instruction	-	-	-	-	-	-	22,933
Support services	11,654	237	4,782	9,950	586	11,981	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	11,654	237	4,782	9,950	586	11,981	22,933
Excess (deficiency) of receipts over disbursements	(11,632)	1,563	(4,782)	5,115	214	3,834	11,349
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	(11,632)	1,563	(4,782)	5,115	214	3,834	11,349
Cash and investments - ending	\$ 4,873	\$ 1,563	\$ 954	\$ 5,115	\$ 214	\$ 3,834	\$ -

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	AFGRE Grant 2017/2018	Vision Athena Grant Award	High Ability Grant 2015/2016	High Ability Grant 2016/2017	High Ability Grant 2017/2018	AHEC Anatomy & Physiology #1	AHEC Anatomy & Physiology #2
Cash and investments - beginning	\$ -	\$ 7,066	\$ 6,235	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	4,378	5,000
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	33,355	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	33,355	-	4,378	5,000
Disbursements:							
Instruction	-	2,911	6,235	29,426	-	4,378	5,000
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	2,911	6,235	29,426	-	4,378	5,000
Excess (deficiency) of receipts over disbursements	-	(2,911)	(6,235)	3,929	-	-	-
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	-	(2,911)	(6,235)	3,929	-	-	-
Cash and investments - ending	\$ -	\$ 4,155	\$ -	\$ 3,929	\$ -	\$ -	\$ -

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	Secured Schools Safety Grant	Non-English Speaking Programs 2017/2018	Non-English Speaking Programs P.L. 273-1999 2015/2016	School Technology	Career and Technical Performance Grant	Performance Based Awards
Cash and investments - beginning	\$ -	\$ -	\$ 1,991	\$ 38,662	\$ -	\$ -
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	15,781	13,065	181,510
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	-	15,781	13,065	181,510
Disbursements:						
Instruction	-	-	1,991	-	3,550	2,555
Support services	18,689	-	-	21,921	-	178,955
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	18,689	-	1,991	21,921	3,550	181,510
Excess (deficiency) of receipts over disbursements	(18,689)	-	(1,991)	(6,140)	9,515	-
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	(18,689)	-	(1,991)	(6,140)	9,515	-
Cash and investments - ending	\$ (18,689)	\$ -	\$ -	\$ 32,522	\$ 9,515	\$ -

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	Senator David Ford Technology FY 18	Project Lead the Way	Tobacco Grant 2015/2017	Tobacco Grant 2017/2019	Intelenet Commission	College Success Coalition
Cash and investments - beginning	\$ -	\$ -	\$ (2,240)	\$ -	\$ 1,895	\$ 50
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	30,394	-	-	-
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	30,394	-	-	-
Disbursements:						
Instruction	-	-	-	-	-	-
Support services	-	-	-	-	-	50
Noninstructional services	-	-	30,223	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	30,223	-	-	50
Excess (deficiency) of receipts over disbursements	-	-	171	-	-	(50)
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	-	-	171	-	-	(50)
Cash and investments - ending	\$ -	\$ -	\$ (2,069)	\$ -	\$ 1,895	\$ -

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	Title I 2015/2016	Title I 2017/2018	Title I 2016/2017	Medicaid Reimbursement - Federal	Improving Teacher Quality, No Child Left, Title II, Part A 2017/2018	Title III - English Proficiency Migrant 2016/2017
Cash and investments - beginning	\$ (8,775)	\$ -	\$ -	\$ 88,749	\$ -	\$ -
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	16,515	-	123,029	33,906	-	13,411
Other receipts	-	-	-	-	-	-
Total receipts	16,515	-	123,029	33,906	-	13,411
Disbursements:						
Instruction	7,740	-	130,325	-	-	13,682
Support services	-	-	-	18,222	-	-
Noninstructional services	-	-	206	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	7,740	-	130,531	18,222	-	13,682
Excess (deficiency) of receipts over disbursements	8,775	-	(7,502)	15,684	-	(271)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(12,619)	-	-
Total other financing sources (uses)	-	-	-	(12,619)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,775	-	(7,502)	3,065	-	(271)
Cash and investments - ending	\$ -	\$ -	\$ (7,502)	\$ 91,814	\$ -	\$ (271)

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	Title III - English Proficiency Migrant 2017/2018	Title III 2015/2016	Improving Teacher Quality, No Child Left, Title II, Part A 2014/2016	Improving Teacher Quality, No Child Left, Title II, Part A 2015/2017	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (1,224)	\$ (347)	\$ (6,398)	\$ 188,722	\$ 14,534,028
Receipts:						
Local sources	-	-	-	-	-	9,094,107
Intermediate sources	-	-	-	-	-	874
State sources	-	-	-	-	-	12,253,503
Federal sources	-	1,224	347	44,997	-	671,108
Other receipts	-	-	-	-	4,442,704	4,442,704
Total receipts	-	1,224	347	44,997	4,442,704	26,462,296
Disbursements:						
Instruction	-	200	-	-	-	8,748,452
Support services	-	-	-	44,865	-	5,913,972
Noninstructional services	-	-	-	-	-	1,561,030
Facilities acquisition and construction	-	-	-	-	-	1,933,670
Debt service	-	-	-	-	-	2,556,356
Nonprogrammed charges	-	-	-	-	4,398,181	6,972,711
Total disbursements	-	200	-	44,865	4,398,181	27,686,191
Excess (deficiency) of receipts over disbursements	-	1,024	347	132	44,523	(1,223,895)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	512,619
Transfers out	-	-	-	-	-	(512,619)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,024	347	132	44,523	(1,223,895)
Cash and investments - ending	\$ -	\$ (200)	\$ -	\$ (6,266)	\$ 233,245	\$ 13,310,133

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	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 3,127,686	\$ 645,199	\$ 128,267	\$ 1,974,635	\$ 1,091,893	\$ 708,972	\$ 3,536,836
Receipts:							
Local sources	162,710	2,885,991	339,748	3,431,500	1,757,018	218,086	-
Intermediate sources	836	-	-	-	-	-	-
State sources	12,118,687	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	12,282,233	2,885,991	339,748	3,431,500	1,757,018	218,086	-
Disbursements:							
Instruction	8,508,274	-	-	-	-	-	-
Support services	3,498,139	-	-	795,797	1,005,853	308,818	-
Noninstructional services	367,953	-	-	-	-	-	-
Facilities acquisition and construction	5,865	-	-	2,495,178	1,000	-	385,959
Debt service	-	2,301,350	263,235	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	15,000	-	-	-	-	-	-
Total disbursements	12,395,231	2,301,350	263,235	3,290,975	1,006,853	308,818	385,959
Excess (deficiency) of receipts over disbursements	(112,998)	584,641	76,513	140,525	750,165	(90,732)	(385,959)
Other financing sources (uses):							
Transfers in	33,467	-	-	-	-	-	356,542
Transfers out	-	(4,747)	(654)	(363,899)	(3,035)	(383)	-
Total other financing sources (uses)	33,467	(4,747)	(654)	(363,899)	(3,035)	(383)	356,542
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(79,531)	579,894	75,859	(223,374)	747,130	(91,115)	(29,417)
Cash and investments - ending	\$ 3,048,155	\$ 1,225,093	\$ 204,126	\$ 1,751,261	\$ 1,839,023	\$ 617,857	\$ 3,507,419

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	Construction	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Educational License Plates	HH/MS After School Program
Cash and investments - beginning	\$ 715,673	\$ 587,374	\$ 214,952	\$ 193,033	\$ -	\$ 3,251	\$ 1,380
Receipts:							
Local sources	-	666,425	194,321	2,656,703	-	-	-
Intermediate sources	-	-	-	-	-	206	-
State sources	-	-	45,801	-	-	-	-
Federal sources	-	490,032	-	-	-	-	-
Interfund loans	-	-	-	15,000	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	1,156,457	240,122	2,671,703	-	206	-
Disbursements:							
Instruction	537,042	-	-	-	-	-	-
Support services	-	-	239,585	-	-	-	-
Noninstructional services	-	1,201,263	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	2,569,281	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	537,042	1,201,263	239,585	2,569,281	-	-	-
Excess (deficiency) of receipts over disbursements	(537,042)	(44,806)	537	102,422	-	206	-
Other financing sources (uses):							
Transfers in	-	-	-	-	16,176	-	-
Transfers out	-	-	-	(10,000)	-	-	-
Total other financing sources (uses)	-	-	-	(10,000)	16,176	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(537,042)	(44,806)	537	92,422	16,176	206	-
Cash and investments - ending	\$ 178,631	\$ 542,568	\$ 215,489	\$ 285,455	\$ 16,176	\$ 3,457	\$ 1,380

NORTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Comprehensive Counseling Initiate Grant FY 16/17	Comprehensive Counseling Initiate Grant FY 17/18	Community Foundation Grant	Trust/ISTA Section 125	Heros - Chrisney Elementary 2014/2015	Heros - David Turnham 2014/2015	Heros - Chrisney Elementary 2015/2016
Cash and investments - beginning	\$ 5,488	\$ -	\$ 862	\$ 4,788	\$ 3,065	\$ 789	\$ 7,359
Receipts:							
Local sources	-	189,565	7,201	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	189,565	7,201	-	-	-	-
Disbursements:							
Instruction	-	34,199	6,688	-	-	-	-
Support services	5,488	263	-	4,788	2,236	-	4,794
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	5,488	34,462	6,688	4,788	2,236	-	4,794
Excess (deficiency) of receipts over disbursements	(5,488)	155,103	513	(4,788)	(2,236)	-	(4,794)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(829)	(789)	(2,565)
Total other financing sources (uses)	-	-	-	-	(829)	(789)	(2,565)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,488)	155,103	513	(4,788)	(3,065)	(789)	(7,359)
Cash and investments - ending	\$ -	\$ 155,103	\$ 1,375	\$ -	\$ -	\$ -	\$ -

NORTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Heros - David Turnham 2015/2016	Heros - Chrisney Elementary 2016/2017	Heros - Nancy Hanks 2015/2016	Heros - Nancy Hanks 2016/2017	Heros - David Turnham 2016/2017	Heros - Middle School 2016/2017	Formative Assessment
Cash and investments - beginning	\$ 4,873	\$ 1,563	\$ 954	\$ 5,115	\$ 214	\$ 3,834	\$ -
Receipts:							
Local sources	-	2,363	-	24,628	862	15,128	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	20,010
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	2,363	-	24,628	862	15,128	20,010
Disbursements:							
Instruction	-	2,140	-	-	-	-	20,010
Support services	-	1,296	-	27,951	3,471	11,291	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	3,436	-	27,951	3,471	11,291	20,010
Excess (deficiency) of receipts over disbursements	-	(1,073)	-	(3,323)	(2,609)	3,837	-
Other financing sources (uses):							
Transfers in	-	3,394	-	954	5,662	-	-
Transfers out	(4,873)	-	(954)	-	-	-	-
Total other financing sources (uses)	(4,873)	3,394	(954)	954	5,662	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,873)	2,321	(954)	(2,369)	3,053	3,837	-
Cash and investments - ending	\$ -	\$ 3,884	\$ -	\$ 2,746	\$ 3,267	\$ 7,671	\$ -

NORTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	AFGRE Grant 2017/2018	Vision Athena Grant Award	High Ability Grant 2015/2016	High Ability Grant 2016/2017	High Ability Grant 2017/2018	AHEC Anatomy & Physiology #1	AHEC Anatomy & Physiology #2
Cash and investments - beginning	\$ -	\$ 4,155	\$ -	\$ 3,929	\$ -	\$ -	\$ -
Receipts:							
Local sources	25,000	589	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	33,488	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	25,000	589	-	-	33,488	-	-
Disbursements:							
Instruction	25,000	3,716	-	3,929	28,811	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	25,000	3,716	-	3,929	28,811	-	-
Excess (deficiency) of receipts over disbursements	-	(3,127)	-	(3,929)	4,677	-	-
Other financing sources (uses):							
Transfers in	-	1,895	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,895	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,232)	-	(3,929)	4,677	-	-
Cash and investments - ending	\$ -	\$ 2,923	\$ -	\$ -	\$ 4,677	\$ -	\$ -

NORTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Secured Schools Safety Grant	Non-English Speaking Programs 2017/2018	Non-English Speaking Programs P.L. 273-1999 2015/2016	School Technology	Career and Technical Performance Grant	Performance Based Awards
Cash and investments - beginning	\$ (18,689)	\$ -	\$ -	\$ 32,522	\$ 9,515	\$ -
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	9,345	17,500	-	14,250	12,204	57,066
Federal sources	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	9,345	17,500	-	14,250	12,204	57,066
Disbursements:						
Instruction	-	15,315	-	-	3,000	1,622
Support services	8,536	-	-	35,280	-	55,444
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,830	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	8,536	15,315	-	37,110	3,000	57,066
Excess (deficiency) of receipts over disbursements	809	2,185	-	(22,860)	9,204	-
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	809	2,185	-	(22,860)	9,204	-
Cash and investments - ending	\$ (17,880)	\$ 2,185	\$ -	\$ 9,662	\$ 18,719	\$ -

NORTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Senator David Ford Technology FY 18	Project Lead the Way	Tobacco Grant 2015/2017	Tobacco Grant 2017/2019	Intelenet Commission	College Success Coalition
Cash and investments - beginning	\$ -	\$ -	\$ (2,069)	\$ -	\$ 1,895	\$ -
Receipts:						
Local sources	-	-	-	-	-	29,700
Intermediate sources	-	-	-	-	-	-
State sources	-	10,000	2,724	23,383	-	-
Federal sources	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	10,000	2,724	23,383	-	29,700
Disbursements:						
Instruction	7,770	2,515	-	-	-	-
Support services	-	-	-	-	-	45
Noninstructional services	-	-	655	25,563	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	7,770	2,515	655	25,563	-	45
Excess (deficiency) of receipts over disbursements	(7,770)	7,485	2,069	(2,180)	-	29,655
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(1,895)	-
Total other financing sources (uses)	-	-	-	-	(1,895)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,770)	7,485	2,069	(2,180)	(1,895)	29,655
Cash and investments - ending	\$ (7,770)	\$ 7,485	\$ -	\$ (2,180)	\$ -	\$ 29,655

NORTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Title I 2015/2016	Title I 2017/2018	Title I 2016/2017	Medicaid Reimbursement - Federal	Improving Teacher Quality, No Child Left, Title II, Part A 2017/2018	Title III - English Proficiency Migrant 2016/2017
Cash and investments - beginning	\$ -	\$ -	\$ (7,502)	\$ 91,814	\$ -	\$ (271)
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	102,864	26,404	46,517	15,505	351
Interfund loans	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	102,864	26,404	46,517	15,505	351
Disbursements:						
Instruction	-	130,972	18,544	-	-	80
Support services	-	-	-	4,857	30,501	-
Noninstructional services	-	333	358	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	-	131,305	18,902	4,857	30,501	80
Excess (deficiency) of receipts over disbursements	-	(28,441)	7,502	41,660	(14,996)	271
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(23,467)	-	-
Total other financing sources (uses)	-	-	-	(23,467)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(28,441)	7,502	18,193	(14,996)	271
Cash and investments - ending	\$ -	\$ (28,441)	\$ -	\$ 110,007	\$ (14,996)	\$ -

NORTH SPENCER COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Title III - English Proficiency Migrant 2017/2018	Title III 2015/2016	Improving Teacher Quality, No Child Left, Title II, Part A 2014/2016	Improving Teacher Quality, No Child Left, Title II, Part A 2015/2017	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (200)	\$ -	\$ (6,266)	\$ 233,245	\$ 13,310,133
Receipts:						
Local sources	-	-	-	-	-	12,607,538
Intermediate sources	-	-	-	-	-	1,042
State sources	-	-	-	-	-	12,364,458
Federal sources	11,253	-	-	13,383	-	706,309
Interfund loans	-	-	-	-	-	15,000
Other receipts	-	-	-	-	4,422,040	4,422,040
Total receipts	11,253	-	-	13,383	4,422,040	30,116,387
Disbursements:						
Instruction	11,253	(200)	-	-	-	9,360,680
Support services	-	-	-	7,117	-	6,051,550
Noninstructional services	-	-	-	-	-	1,596,125
Facilities acquisition and construction	-	-	-	-	-	2,889,832
Debt service	-	-	-	-	-	2,564,585
Nonprogrammed charges	-	-	-	-	4,458,428	7,027,709
Interfund loans	-	-	-	-	-	15,000
Total disbursements	11,253	(200)	-	7,117	4,458,428	29,505,481
Excess (deficiency) of receipts over disbursements	-	200	-	6,266	(36,388)	610,906
Other financing sources (uses):						
Transfers in	-	-	-	-	-	418,090
Transfers out	-	-	-	-	-	(418,090)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	200	-	6,266	(36,388)	610,906
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 196,857	\$ 13,921,039

NORTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 694,249</u>	<u>\$ 73,716</u>

NORTH SPENCER COUNTY SCHOOL CORPORATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: North Spencer County Middle School Building Corporation	Renovations and Construction of Additions to all Schools. 'Project'	\$ 312,000	1/15/2017	1/15/2025
Total of annual lease payments		<u>\$ 312,000</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: General obligation bonds	Ad Valorem Property Tax First Mortgage Bonds	Series 2012/High School Renovation Reimbursement to Capital Projects Fund	\$ 1,895,000	\$ 1,920,000
General obligation bonds	High School Renovation 2012		350,000	352,188
General obligation bonds	School Severance 2013A Refunding		<u>1,445,000</u>	<u>267,263</u>
Total governmental activities			<u>3,690,000</u>	<u>2,539,451</u>
Totals			<u>\$ 3,690,000</u>	<u>\$ 2,539,451</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

Report on Compliance for Each Major Federal Program

We have audited the North Spencer County School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. Except as discussed below, 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2018-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Program Income. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, 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 Child Nutrition Cluster for the period of July 1, 2016 to June 30, 2018.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2016 to June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002. Our opinion on the major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001, 2018-002, and 2018-003, that we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 7, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

NORTH SPENCER COUNTY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY18	\$ -	\$ -	\$ -	\$ 88,451
School Breakfast			FY17	-	78,270	-	-
Total - National School Breakfast Program				-	78,270	-	88,451
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			FY17	-	359,409	-	-
School Lunch			FY18	-	-	-	382,312
Commodities			FY18	-	-	-	133,414
Commodities			FY17	-	154,746	-	-
Total - National School Lunch Program				-	514,155	-	515,726
Total - Child Nutrition Cluster				-	592,425	-	604,177
Total - Department of Agriculture				-	592,425	-	604,177
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Ed Part B IDEA 611 FY2015 (14-15)			14215011PN01	-	25,371	-	-
Special Ed Part B IDEA 611 FY2016 (15-16)			14216009PN01	-	227,660	-	10,863
Special Ed Part B IDEA 611 FY2017 (16-17)			14217009PN01	-	165,842	-	263,790
Special Ed Part B IDEA FY2018 (17-18)			18611009PN01	-	-	-	195,728
Total - Special Education Grant to States				-	418,873	-	470,381
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Ed Preschool Part B 619 FY2018 (17-18)			18619009PN01	-	-	-	5,031
Special Ed PreSchool 619 FY2016 (15-16)			45716009PN01	-	11,284	-	-
Special Ed Preschool Part B 619 FY2017 (16-17)			45717009PN01	-	4,341	-	16,632
Total - Special Education Preschool Grants				-	15,625	-	21,663
Total - Special Education Cluster (IDEA)				-	434,498	-	492,044

NORTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2015/16			16-7385	-	16,515	-	-
Title I 2016/17			17-7385	-	123,029	-	-
Title I Basic Grant 2016-17			S010A150014	-	-	-	26,404
Title I Basic Grant 2017-18			S010A170014	-	-	-	102,864
Total - Title I Grants to Local Educational Agencies				-	139,544	-	129,268
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III 2015/17			01116-086-PN01	-	1,224	-	-
Title III 2016/18			01117-084-PN01	-	13,411	-	351
Title III FFY17			01118-083-PN01	-	-	-	11,253
Total - English Language Acquisition State Grants				-	14,635	-	11,604
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Title II Basic Grant FY2015 (2015-2017)			S367A150013	-	-	-	13,382
Title II Part A FY2015			S367A150015	-	45,343	-	-
Title II Basic Grant FY			S367A160013	-	-	-	15,505
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	45,343	-	28,887
Total - Department of Education				-	634,020	-	661,803
Total federal awards expended				\$ -	\$ 1,226,445	\$ -	\$ 1,265,980

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Exceptional Children's Cooperative

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

NORTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified
Special Education Cluster (IDEA)	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-001

Subject: Child Nutrition Cluster - 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): FY17, FY18
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting
 Audit Finding: Material Weakness

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

Condition

An effective internal control system, including segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation had established the control that all school lunch employees' time cards were reviewed and approved by a supervisor. However, timesheets for the high school lunch employees were not approved by a supervisor for five of the six payroll distributions tested.

Reporting

An effective internal control system was not in place to ensure that the Monthly Sponsor Claims for Reimbursement, Annual Financial Report, and Verification Summary were accurately prepared and submitted. There was no segregation of duties, such as an oversight, review, or approval process.

Context

Internal controls over the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements were not effective from July 1, 2016 to February 10, 2018. Beginning with payroll period ending February 10, 2018, the high school lunch employees' timesheets were being signed by the School Lunch Director.

The lack of controls over the Reporting compliance requirement was a systemic problem throughout the audit period.

Criteria

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

Management did not adhere to their system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. Management had not developed a system of internal controls, including segregation of duties, that would have ensured compliance with the Reporting compliance requirement.

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

Effect

The failure to establish and adhere to an effective internal control system could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements listed above 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 and adhere to their controls to ensure compliance with 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 2018-002

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY17, FY18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

Procurement

The School Corporation had not established an effective internal control system to ensure compliance with procurement requirements. A procurement plan was maintained by the School Corporation; however, there were no controls in place to ensure that appropriate procurement methods were used. The School Corporation disbursed more than \$150,000 to one company without soliciting bids during each year of the audit period.

Suspension and Debarment

The School Corporation had not established an effective internal control system to ensure compliance with suspension and debarment requirements. The School Corporation did not perform any procedures to verify that vendors without contracts with purchases over \$25,000 in a school year were not suspended or debarred from participation in federal programs before entering into the covered transactions.

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

Context

The lack of controls was a systemic issue throughout the audit period. There was one vendor during each school year for which the proper procurement method was not used. There were three vendors during each school year that exceeded the \$25,000 threshold for which the School Corporation did not verify that the vendors were not suspended or debarred from participation in federal programs.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 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 source.

(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. . . ."

2 CFR 180.300 states:

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

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

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 of the School Corporation had not developed a system of internal controls that would have ensured compliance with the procurement and suspension and debarment requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2018-003

Subject: Child Nutrition Cluster - Program Income
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): FY17, FY18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

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 Program Income compliance requirement.

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

For the 2016-2017 and 2017-2018 school years, the School Corporation did not comply with requirements for accounting for program income generated from the operation of the school food service program. A single fund, the School Lunch fund, was used to account for all activity of the school food service program. There was no distinction between prepaid amounts and program income.

Context

The lack of controls was a systemic issue throughout the audit period. The commingling of funds prevented the ability to determine the School Corporation's compliance with the program income requirements.

Criteria

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 210.14(c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . ."

- (12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

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

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by documentation."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that prepaid receipts and program income receipts were properly identified and accounted for in order to allow for the determination of compliance with the Program Income compliance requirement.

Effect

The failure to establish an effective internal control system and the commingling of prepaid receipts and program income receipts prevented the determination of the School Corporation's compliance with the Program Income compliance requirement. Noncompliance with the grant agreement and the program income requirements 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 to ensure compliance and comply with the Program Income compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

North Spencer County School Corporation

Shaping Tomorrow Today

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

Phone: (812) 937-2400
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding initially occurred: FY 12/13
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Martha Barnett
Contact Phone Number: 1-812-937-2400

Status of Audit Finding:

Guidelines for completing the SEFA were obtained and knowledge on correcting the issue has been discussed. Corrected SEFA has been resubmitted. Issue has been corrected going forward. Treasurer prepares Gateway report and Superintendent reviews and submits.


(Signature)

Treasurer

(Title)

01/23/2019

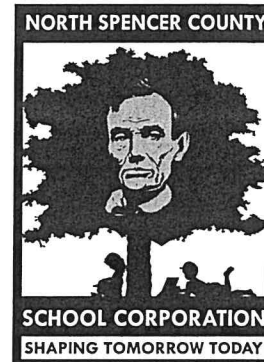
(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-002

Fiscal year in which the finding initially occurred: FY 14/15

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Martha Barnett

Contact Phone Number: 1-812-937-2400

Status of Audit Finding:

Has been corrected

Martha Barnett
(Signature)

Treasurer
(Title)

01/23/2019
(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-003

Fiscal year in which the finding initially occurred: FY 14/15

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dan Scherry

Contact Phone Number: 1-812-937-2400

Status of Audit Finding:

Has been corrected

Dan Scherry
(Signature)

Superintendent
(Title)

01/23/2019
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Mary Waninger

Contact Phone Number: 812-937-2400 ext. 2003

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Internal control has been put in place in the 2018-19 school year of reviewing and approving payroll time cards. Internal controls will be put in place to make sure that the duties of preparing, reviewing, and or approving, Reimbursement Claims, Annual Financial Report, and Verification Summary Report are segregated to multiple people.

Anticipated Completion Date: Effective Immediately

Mary Waninger
(Signature)
Food Service Director
(Title)
2/7/19
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Mary Waninger
Contact Phone Number: 812-937-2400 ext. 2003

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Compliance with suspension and debarment requirements will be established and maintained going forward. We will verify that vendors without contracts with purchases over 25,000 in a school year are not suspended or debarred from participation in federal programs before entering into the covered transactions.

Starting with the 2018-19 school year, we obtained contracts with all vendors from whom we purchase over \$150,000 worth of goods.

Anticipated Completion Date: Effective Immediately

Mary Waninger
(Signature)

Food Service Director
(Title)

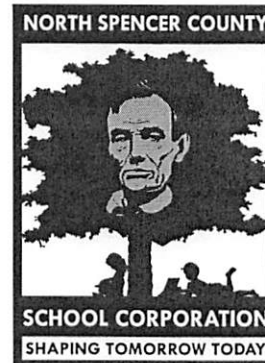
2/7/19
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-003

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

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Revenue from pre-paid lunch accounts will be maintained separately from the current funds. Monthly the Café Treasurer will present a total of lunch account sales and the amount will be transferred from the separate account to the School Lunch account.

Anticipated Completion Date: At the close of the Fiscal Year (June 30th, 2019) we will make the transfer and establish a separate account for the Pre-Paid Revenue.

Martha Barnett
(Signature)

Treasurer
(Title)

2-7-19

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/>.