

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SPENCER-OWEN COMMUNITY SCHOOLS
OWEN COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/23/2019

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--|--|
| Treasurer | Darla Thomas | 07-01-16 to 06-30-19 |
| Superintendent of Schools | Dr. Chad S. Briggs | 07-01-16 to 06-30-19 |
| President of the School Board | Kevin Cooper Rick Smeltzer Chad Cooper | 07-01-16 to 12-31-16 01-01-17 to 12-31-18 01-01-19 to 12-31-19 |



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Spencer-Owen Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 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, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 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

May 2, 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 SPENCER-OWEN COMMUNITY SCHOOLS, OWEN COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Spencer-Owen Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated May 2, 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

May 2, 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.

SPENCER-OWEN COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 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 | \$ 2,394,577 | \$ 18,082,736 | \$ 17,839,819 | \$ 6,938 | \$ 2,644,432 | \$ 18,324,283 | \$ 17,563,621 | \$ 409 | \$ 3,405,503 |
| Debt Service | 2,370,092 | 3,487,434 | 3,428,664 | - | 2,428,862 | 3,449,442 | 3,447,330 | - | 2,430,974 |
| Retirement/Severance Bond Debt Service | 134,309 | 157,556 | 227,589 | - | 64,276 | 170,251 | 227,568 | - | 6,959 |
| Capital Projects | 1,064,327 | 1,960,076 | 1,635,756 | (500,000) | 888,647 | 2,034,592 | 1,503,048 | (450,000) | 970,191 |
| School Transportation | 1,271,358 | 2,677,711 | 2,057,102 | (400,000) | 1,491,967 | 2,814,223 | 2,220,114 | (550,000) | 1,536,076 |
| School Bus Replacement | 1 | 170,519 | - | (11,289) | 159,231 | 291,482 | 270,317 | - | 180,396 |
| Rainy Day | 2,106,393 | 181,309 | 681,476 | 1,045,659 | 2,651,885 | 71,900 | 593,432 | 1,056,823 | 3,187,176 |
| Construction | 845,168 | - | 621,033 | - | 224,135 | - | 207,049 | - | 17,086 |
| School Lunch | 100,240 | 1,189,880 | 1,193,008 | (3,347) | 93,765 | 1,199,759 | 1,169,177 | - | 124,347 |
| Textbook Rental | 329,095 | 252,953 | 287,330 | - | 294,718 | 242,361 | 231,360 | - | 305,719 |
| Self-Insurance | - | 1,877,872 | 1,348,433 | - | 529,439 | 2,323,634 | 2,192,044 | - | 661,029 |
| Educational License Plates | 31 | - | - | - | 31 | 206 | 32 | - | 205 |
| IN Literacy Early Intervention 15/16 | - | 27,757 | 27,757 | - | - | - | - | - | - |
| IN Literacy Early Intervention 16/17 | - | 12,566 | 4,378 | - | 8,188 | - | 8,188 | - | - |
| IN Literacy Early Intervention 17/18 | - | - | - | - | - | 11,546 | 11,127 | - | 419 |
| Lilly Endowment | - | 30,000 | 22,056 | - | 7,944 | - | 6,490 | - | 1,454 |
| MCES Safe Haven Donations | - | - | - | - | - | 4,256 | 3,874 | - | 382 |
| SES Safe Haven Donations | - | - | - | - | - | 550 | 308 | - | 242 |
| Library Donations | 506 | 150 | 656 | - | - | 300 | 285 | - | 15 |
| Monsanto Donation | - | 2,500 | - | - | 2,500 | - | 2,500 | - | - |
| Wal-Mart Foundation | - | 1,000 | 1,000 | - | - | - | - | - | - |
| Duke Energy | - | 29,541 | 11,198 | - | 18,343 | 23 | 16,533 | - | 1,833 |
| Cook Donation Fund | 4,703 | 3,360 | 1,784 | - | 6,279 | 3,000 | 4,990 | - | 4,289 |
| Lowe's Grant | - | 2,330 | 1,309 | - | 1,021 | - | 1,005 | - | 16 |
| FCCLA Team Nutrition | 1,156 | - | 27 | - | 1,129 | - | 1,129 | - | - |
| Action for Healthy Kids | - | 900 | 900 | - | - | - | - | - | - |
| Monsanto | - | 10,000 | 10,000 | - | - | - | - | - | - |
| Smithville | - | - | - | - | - | 6,000 | - | - | 6,000 |
| IASP, Inc. SES Mini Grant | - | - | - | - | - | 250 | 250 | - | - |
| OVHS Printing | 2,955 | 749 | 598 | - | 3,106 | 522 | 1,099 | - | 2,529 |
| OVHS Goat Farm | 2,428 | 6,371 | 4,450 | - | 4,349 | 5,822 | 6,751 | - | 3,420 |
| OCCF Grant (York) | - | 2,300 | 2,300 | - | - | - | - | - | - |
| OCCF STEM Grant | - | - | - | - | - | 18,750 | 14,104 | - | 4,646 |
| Living To Serve - OVHS FFA | 1,046 | - | 1,037 | - | 9 | - | 9 | - | - |
| State Farm - Mission Ignition | 801 | - | 801 | - | - | - | - | - | - |
| Owen County LLC Drug Free 2016 | 522 | - | 522 | - | - | - | - | - | - |
| Owen County Drug Free 2017 | - | 3,000 | 3,000 | - | - | - | - | - | - |
| Owen County Drug Free 2018 | - | - | - | - | - | 4,000 | 2,542 | - | 1,458 |
| Scholarships and Awards | 3,000 | - | 3,000 | - | - | - | - | - | - |
| American Dairy Association | - | 2,000 | 2,000 | - | - | - | - | - | - |
| Reimbursement Fund | 2 | 23,447 | 21,351 | (517) | 1,581 | 30,452 | 30,135 | - | 1,898 |
| Boston Scientific | - | 250 | 250 | - | - | - | - | - | - |
| Boston Scientific - OVHS PLTW | 781 | - | 672 | - | 109 | - | 109 | - | - |
| SCI REMC After School | 1,982 | 2,000 | 1,486 | - | 2,496 | 2,009 | 4,178 | - | 327 |
| Formative Assessment | 7,441 | 24,022 | 31,463 | - | - | 26,150 | 26,150 | - | - |

SPENCER-OWEN COMMUNITY SCHOOLS
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended June 30, 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 |
|---|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| GT High Ability 2015-2016 | 2,406 | - | 2,406 | - | - | - | - | - | - |
| GT High Ability 2016-2017 | - | 35,674 | 35,674 | - | - | - | - | - | - |
| GT High Ability 2017-2018 | - | - | - | - | - | 34,981 | 32,576 | - | 2,405 |
| Drug Free Communities | 301 | - | - | - | 301 | - | 301 | - | - |
| Medicaid Reimbursement | 13,192 | 1,963 | 13,192 | - | 1,963 | 38,552 | 13,466 | - | 27,049 |
| Secured Schools Safety Grant | - | 26,902 | 30,608 | 3,706 | - | 6,787 | 12,610 | (6,787) | (12,610) |
| IDOE STEM Acceleration | - | - | - | - | - | - | 2,515 | - | (2,515) |
| Afternoons R.O.C.K. MCES 12-13 | 699 | - | 457 | - | 242 | - | 116 | - | 126 |
| Safe Haven 2015-2016 | - | 4,855 | - | (4,855) | - | - | - | - | - |
| Safe Haven 2016-2017 | - | 8,723 | 12,682 | 3,959 | - | 3,959 | - | (3,959) | - |
| Safe Haven 2017-2018 | - | - | - | - | - | 2,639 | 7,960 | - | (5,321) |
| ICJI Drug Free | - | 4,140 | 4,140 | - | - | 4,140 | 10,990 | - | (6,850) |
| After School Programs SES | 1,352 | - | 1,446 | 94 | - | - | - | - | - |
| Non-English Speaking Programs | 309 | - | - | - | 309 | - | - | - | 309 |
| State Connectivity Grant | 1,164 | 6,308 | 3,804 | - | 3,668 | 7,770 | 8,417 | - | 3,021 |
| Career and Technical Performance Grant | - | 21,589 | 17,609 | - | 3,980 | 13,179 | 17,159 | - | - |
| Governor's WEC | - | 6,846 | 7,402 | 556 | - | 11,005 | 11,136 | (556) | (687) |
| Senator David Ford Technology | - | - | - | - | - | 63,000 | 75,000 | - | (12,000) |
| Title I 2015-2016 | - | 370,545 | 271,452 | (99,093) | - | - | - | - | - |
| Title I 2016-2017 | - | 262,042 | 277,493 | 15,451 | - | 297,368 | 281,917 | (15,451) | - |
| Title I 2017-2018 | - | - | - | - | - | 261,464 | 282,036 | - | (20,572) |
| Title I School Improvement 2015-2016 | - | 14,240 | 14,240 | - | - | - | - | - | - |
| Title I School Improvement 2016-2017 | - | 1,923 | 13,492 | 11,569 | - | 43,071 | 31,502 | (11,569) | - |
| Title I School Improvement 2017-2018 | - | - | - | - | - | 17,910 | 26,742 | - | (8,832) |
| Stewart Homeless Assistance Act 2015-2016 | - | 7,987 | 843 | (7,144) | - | - | - | - | - |
| Stewart Homeless Assistance Act 2016-2017 | - | 9,650 | 9,997 | 347 | - | 5,313 | 4,966 | (347) | - |
| Stewart Homeless Assistance Act 2017-2018 | - | - | - | - | - | 1,039 | 4,515 | - | (3,476) |
| Adult Basic Education | 24,936 | - | 5,990 | - | 18,946 | - | 6,417 | - | 12,529 |
| Medicaid Reimbursement - Federal | 268,196 | 11,791 | 54,783 | - | 225,204 | 86,857 | 63,823 | - | 248,238 |
| Title II Part A 2017-2019 | - | - | - | - | - | 487 | 487 | - | - |
| Title II Part A 2014-2016 | - | 119,313 | 118,993 | (320) | - | - | - | - | - |
| Title II Part A 2015-2017 | - | 13,174 | 21,952 | 8,778 | - | 118,757 | 109,562 | (9,195) | - |
| Title II Part A 2016-2018 | - | - | 2,509 | 2,509 | - | 68,682 | 77,422 | (2,509) | (11,249) |
| Rural & Low Income Schools FY14 | - | 5,677 | 3,016 | (2,661) | - | - | - | - | - |
| Rural & Low Income Schools FY15 | - | 45,447 | 23,897 | (21,550) | - | 8,638 | 2,282 | (6,356) | - |
| Rural & Low Income Schools FY16 | - | - | - | - | - | 41,975 | 51,031 | - | (9,056) |
| Rural & Low Income Schools FY17 | - | - | - | - | - | - | 31,631 | - | (31,631) |
| Payroll Withholdings | 584,837 | 3,756,374 | 4,098,083 | - | 243,128 | 3,616,678 | 3,753,780 | - | 106,026 |
| Prepaid School Lunch | 14,725 | 314,584 | 313,117 | - | 16,192 | 298,177 | 296,529 | - | 17,840 |
| Totals | \$ 11,555,031 | \$ 35,272,036 | \$ 34,833,482 | \$ 48,790 | \$ 12,042,375 | \$ 36,088,191 | \$ 34,983,736 | \$ 503 | \$ 13,147,333 |

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

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

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

Note 8. Holding Corporations

The School Corporation has entered into a capital lease with the Spencer-Owen Facility Improvement Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2017 and 2018 totaled \$870,150 and \$893,200, respectively.

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

The School Corporation has entered into a capital lease with the Owen Valley High School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2017 and 2018 totaled \$510,000 and \$509,000, respectively.

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OTHER INFORMATION - UNAUDITED

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

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

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

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | General | Debt Service | Retirement/ Severance Bond Debt Service | Capital Projects | School Transportation | School Bus Replacement | Rainy Day | Construction | School Lunch |
|---|--------------|-----------------|---|---------------------|--------------------------|------------------------------|--------------|--------------|-----------------|
| Cash and investments - beginning | \$ 2,394,577 | \$ 2,370,092 | \$ 134,309 | \$ 1,064,327 | \$ 1,271,358 | \$ 1 | \$ 2,106,393 | \$ 845,168 | \$ 100,240 |
| Receipts: | | | | | | | | | |
| Local sources | 696,773 | 3,487,434 | 157,556 | 1,951,913 | 2,677,681 | 170,519 | 15,086 | - | 333,616 |
| Intermediate sources | 1,855 | - | - | - | - | - | 166,223 | - | 64,080 |
| State sources | 17,291,872 | - | - | - | - | - | - | - | 7,674 |
| Federal sources | - | - | - | - | - | - | - | - | 784,010 |
| Other receipts | 92,236 | - | - | 8,163 | 30 | - | - | - | 500 |
| Total receipts | 18,082,736 | 3,487,434 | 157,556 | 1,960,076 | 2,677,711 | 170,519 | 181,309 | - | 1,189,880 |
| Disbursements: | | | | | | | | | |
| Instruction | 12,460,234 | - | - | - | - | - | 52,100 | - | - |
| Support services | 5,314,667 | - | - | 1,143,425 | 2,057,102 | - | 603,714 | - | 500 |
| Noninstructional services | 64,918 | - | - | - | - | - | - | - | 1,192,508 |
| Facilities acquisition and construction | - | - | - | 492,331 | - | - | 25,662 | 621,033 | - |
| Debt service | - | 3,428,664 | 227,589 | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 17,839,819 | 3,428,664 | 227,589 | 1,635,756 | 2,057,102 | - | 681,476 | 621,033 | 1,193,008 |
| Excess (deficiency) of receipts over disbursements | 242,917 | 58,770 | (70,033) | 324,320 | 620,609 | 170,519 | (500,167) | (621,033) | (3,128) |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | 6,938 | - | - | - | - | - | 45,200 | - | - |
| Transfers in | - | - | - | - | - | - | 1,123,260 | - | - |
| Transfers out | - | - | - | (500,000) | (400,000) | (11,289) | (122,801) | - | (3,347) |
| Total other financing sources (uses) | 6,938 | - | - | (500,000) | (400,000) | (11,289) | 1,045,659 | - | (3,347) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 249,855 | 58,770 | (70,033) | (175,680) | 220,609 | 159,230 | 545,492 | (621,033) | (6,475) |
| Cash and investments - ending | \$ 2,644,432 | \$ 2,428,862 | \$ 64,276 | \$ 888,647 | \$ 1,491,967 | \$ 159,231 | \$ 2,651,885 | \$ 224,135 | \$ 93,765 |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Textbook Rental | Self- Insurance | Educational License Plates | IN Literacy Early Intervention 15/16 | IN Literacy Early Intervention 16/17 | IN Literacy Early Intervention 17/18 | Lilly Endowment | MCES Safe Haven Donations | SES Safe Haven Donations |
|---|--------------------|--------------------|----------------------------------|---|---|---|--------------------|---------------------------------|--------------------------------|
| Cash and investments - beginning | \$ 329,095 | \$ - | \$ 31 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | 141,048 | 1,877,872 | - | - | - | - | 30,000 | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | 111,555 | - | - | 27,757 | 12,566 | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other receipts | 350 | - | - | - | - | - | - | - | - |
| Total receipts | 252,953 | 1,877,872 | - | 27,757 | 12,566 | - | 30,000 | - | - |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | 27,757 | 4,378 | - | - | - | - |
| Support services | 287,330 | 333,034 | - | - | - | - | 22,056 | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | 1,015,399 | - | - | - | - | - | - | - |
| Total disbursements | 287,330 | 1,348,433 | - | 27,757 | 4,378 | - | 22,056 | - | - |
| Excess (deficiency) of receipts over disbursements | (34,377) | 529,439 | - | - | 8,188 | - | 7,944 | - | - |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (34,377) | 529,439 | - | - | 8,188 | - | 7,944 | - | - |
| Cash and investments - ending | \$ 294,718 | \$ 529,439 | \$ 31 | \$ - | \$ 8,188 | \$ - | \$ 7,944 | \$ - | \$ - |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Library Donations | Monsanto Donation | Foundation | Duke Energy | Cook Donation Fund | Lowe's Grant | FCCLA Team Nutrition | Action for Healthy Kids | Monsanto |
|---|----------------------|----------------------|------------|----------------|-----------------------|-----------------|-------------------------|----------------------------|----------|
| Cash and investments - beginning | \$ 506 | \$ - | \$ - | \$ - | \$ 4,703 | \$ - | \$ 1,156 | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | 150 | - | 1,000 | 29,541 | 3,360 | - | - | 900 | 10,000 |
| Intermediate sources | - | 2,500 | - | - | - | 2,330 | - | - | - |
| State sources | - | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 150 | 2,500 | 1,000 | 29,541 | 3,360 | 2,330 | - | 900 | 10,000 |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | 1,000 | 11,198 | - | 1,309 | 27 | 900 | 10,000 |
| Support services | 656 | - | - | - | 1,784 | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 656 | - | 1,000 | 11,198 | 1,784 | 1,309 | 27 | 900 | 10,000 |
| Excess (deficiency) of receipts over disbursements | (506) | 2,500 | - | 18,343 | 1,576 | 1,021 | (27) | - | - |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (506) | 2,500 | - | 18,343 | 1,576 | 1,021 | (27) | - | - |
| Cash and investments - ending | \$ - | \$ 2,500 | \$ - | \$ 18,343 | \$ 6,279 | \$ 1,021 | \$ 1,129 | \$ - | \$ - |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Smithville | IASP, Inc. SES Mini Grant | OVHS Printing | OVHS Goat Farm | OCCF Grant (York) | OCCF STEM Grant | Living To Serve - OVHS FFA | State Farm - Mission Ignition |
|---|------------|------------------------------|------------------|-------------------|----------------------|--------------------|-------------------------------|----------------------------------|
| Cash and investments - beginning | \$ - | \$ - | \$ 2,955 | \$ 2,428 | \$ - | \$ - | \$ 1,046 | \$ 801 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | 749 | 6,371 | 2,300 | - | - | - |
| State sources | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - |
| Total receipts | - | - | 749 | 6,371 | 2,300 | - | - | - |
| Disbursements: | | | | | | | | |
| Instruction | - | - | 598 | 4,450 | 2,300 | - | 1,037 | 801 |
| Support services | - | - | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Total disbursements | - | - | 598 | 4,450 | 2,300 | - | 1,037 | 801 |
| Excess (deficiency) of receipts over disbursements | - | - | 151 | 1,921 | - | - | (1,037) | (801) |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | 151 | 1,921 | - | - | (1,037) | (801) |
| Cash and investments - ending | \$ - | \$ - | \$ 3,106 | \$ 4,349 | \$ - | \$ - | \$ 9 | \$ - |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Owen County LLC Drug Free 2016 | Owen County Drug Free 2017 | Owen County Drug Free 2018 | Scholarships and Awards | American Dairy Association | Reimbursement Fund | Boston Scientific | Boston Scientific - OVHS PLTW |
|---|-----------------------------------|-------------------------------|-------------------------------|----------------------------|-------------------------------|-----------------------|----------------------|-------------------------------------|
| Cash and investments - beginning | \$ 522 | \$ - | \$ - | \$ 3,000 | \$ - | \$ 2 | \$ - | \$ 781 |
| Receipts: | | | | | | | | |
| Local sources | - | 3,000 | - | - | 2,000 | 23,234 | - | - |
| Intermediate sources | - | - | - | - | - | 213 | 250 | - |
| State sources | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - |
| Total receipts | - | 3,000 | - | - | 2,000 | 23,447 | 250 | - |
| Disbursements: | | | | | | | | |
| Instruction | 522 | 3,000 | - | - | - | 5,246 | 250 | 672 |
| Support services | - | - | - | - | - | 16,105 | - | - |
| Noninstructional services | - | - | - | 3,000 | 2,000 | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Total disbursements | 522 | 3,000 | - | 3,000 | 2,000 | 21,351 | 250 | 672 |
| Excess (deficiency) of receipts over disbursements | (522) | - | - | (3,000) | - | 2,096 | - | (672) |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | (517) | - | - |
| Total other financing sources (uses) | - | - | - | - | - | (517) | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (522) | - | - | (3,000) | - | 1,579 | - | (672) |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,581 | \$ - | \$ 109 |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | SCI REMC After School | Formative Assessment | GT High Ability 2015-2016 | GT High Ability 2016-2017 | GT High Ability 2017-2018 | Drug Free Communities | Medicaid Reimbursement | Secured Schools Safety Grant | IDOE STEM Acceleration |
|---|--------------------------|-------------------------|------------------------------|------------------------------|------------------------------|--------------------------|---------------------------|---------------------------------|---------------------------|
| Cash and investments - beginning | \$ 1,982 | \$ 7,441 | \$ 2,406 | \$ - | \$ - | \$ 301 | \$ 13,192 | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | 2,000 | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | 24,022 | - | 35,674 | - | - | 1,963 | 26,902 | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 2,000 | 24,022 | - | 35,674 | - | - | 1,963 | 26,902 | - |
| Disbursements: | | | | | | | | | |
| Instruction | 1,486 | - | 2,406 | 35,674 | - | - | - | - | - |
| Support services | - | 31,463 | - | - | - | - | 13,192 | 30,608 | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 1,486 | 31,463 | 2,406 | 35,674 | - | - | 13,192 | 30,608 | - |
| Excess (deficiency) of receipts over disbursements | 514 | (7,441) | (2,406) | - | - | - | (11,229) | (3,706) | - |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | 29,110 | - |
| Transfers out | - | - | - | - | - | - | - | (25,404) | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | 3,706 | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 514 | (7,441) | (2,406) | - | - | - | (11,229) | - | - |
| Cash and investments - ending | \$ 2,496 | \$ - | \$ - | \$ - | \$ - | \$ 301 | \$ 1,963 | \$ - | \$ - |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Afternoons R.O.C.K. MCES 12-13 | Safe Haven 2015-2016 | Safe Haven 2016-2017 | Safe Haven 2017-2018 | ICJI Drug Free | After School Programs SES | Non-English Speaking Programs | State Connectivity Grant |
|---|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------|------------------------------|-------------------------------------|--------------------------------|
| Cash and investments - beginning | \$ 699 | \$ - | \$ - | \$ - | \$ - | \$ 1,352 | \$ 309 | \$ 1,164 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - |
| State sources | - | 4,855 | 8,723 | - | 4,140 | - | - | 6,308 |
| Federal sources | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - |
| Total receipts | - | 4,855 | 8,723 | - | 4,140 | - | - | 6,308 |
| Disbursements: | | | | | | | | |
| Instruction | 457 | - | 12,078 | - | 4,140 | 1,446 | - | - |
| Support services | - | - | 604 | - | - | - | - | 3,804 |
| Noninstructional services | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Total disbursements | 457 | - | 12,682 | - | 4,140 | 1,446 | - | 3,804 |
| Excess (deficiency) of receipts over disbursements | (457) | 4,855 | (3,959) | - | - | (1,446) | - | 2,504 |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Transfers in | - | - | 8,593 | - | - | 94 | - | - |
| Transfers out | - | (4,855) | (4,634) | - | - | - | - | - |
| Total other financing sources (uses) | - | (4,855) | 3,959 | - | - | 94 | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (457) | - | - | - | - | (1,352) | - | 2,504 |
| Cash and investments - ending | \$ 242 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 309 | \$ 3,668 |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Career and Technical Performance Grant | Governor's WEC | Senator David Ford Technology | Title I 2015-2016 | Title I 2016-2017 | Title I 2017-2018 | Title I School Improvement 2015-2016 | Title I School Improvement 2016-2017 | Title I School Improvement 2017-2018 |
|---|---|-------------------|----------------------------------|----------------------|----------------------|----------------------|---|---|---|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | 21,589 | 6,846 | - | - | - | - | - | - | - |
| Federal sources | - | - | - | 370,545 | 262,042 | - | 14,240 | 1,923 | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 21,589 | 6,846 | - | 370,545 | 262,042 | - | 14,240 | 1,923 | - |
| Disbursements: | | | | | | | | | |
| Instruction | - | 7,402 | - | 189,594 | 173,743 | - | 10,000 | 13,287 | - |
| Support services | 17,609 | - | - | 78,740 | 96,577 | - | 4,240 | - | - |
| Noninstructional services | - | - | - | 3,118 | 7,173 | - | - | 205 | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 17,609 | 7,402 | - | 271,452 | 277,493 | - | 14,240 | 13,492 | - |
| Excess (deficiency) of receipts over disbursements | 3,980 | (556) | - | 99,093 | (15,451) | - | - | (11,569) | - |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | 556 | - | - | 47,082 | - | - | 11,569 | - |
| Transfers out | - | - | - | (99,093) | (31,631) | - | - | - | - |
| Total other financing sources (uses) | - | 556 | - | (99,093) | 15,451 | - | - | 11,569 | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 3,980 | - | - | - | - | - | - | - | - |
| Cash and investments - ending | \$ 3,980 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Stewart Homeless Assistance Act 2015-2016 | Stewart Homeless Assistance Act 2016-2017 | Stewart Homeless Assistance Act 2017-2018 | Adult Basic Education | Medicaid Reimbursement - Federal | Title II Part A 2017-2019 | Title II Part A 2014-2016 | Title II Part A 2015-2017 |
|---|--|--|--|--------------------------|--|------------------------------|------------------------------|------------------------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ 24,936 | \$ 268,196 | \$ - | \$ - | \$ - |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | - |
| Federal sources | 7,987 | 9,650 | - | - | 11,791 | - | 119,313 | 13,174 |
| Other receipts | - | - | - | - | - | - | - | - |
| Total receipts | 7,987 | 9,650 | - | - | 11,791 | - | 119,313 | 13,174 |
| Disbursements: | | | | | | | | |
| Instruction | 843 | 997 | - | 5,990 | 25,810 | - | - | - |
| Support services | - | 9,000 | - | - | 28,973 | - | 118,993 | 21,952 |
| Noninstructional services | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Total disbursements | 843 | 9,997 | - | 5,990 | 54,783 | - | 118,993 | 21,952 |
| Excess (deficiency) of receipts over disbursements | 7,144 | (347) | - | (5,990) | (42,992) | - | 320 | (8,778) |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Transfers in | - | 382 | - | - | - | - | - | 9,402 |
| Transfers out | (7,144) | (35) | - | - | - | - | (320) | (624) |
| Total other financing sources (uses) | (7,144) | 347 | - | - | - | - | (320) | 8,778 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | - | (5,990) | (42,992) | - | - | - |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ 18,946 | \$ 225,204 | \$ - | \$ - | \$ - |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

| | Title II Part A 2016-2018 | Rural & Low Income Schools FY14 | Rural & Low Income Schools FY15 | Rural & Low Income Schools FY16 | Rural & Low Income Schools FY17 | Payroll Withholdings | Prepaid School Lunch | Totals |
|---|------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-------------------------|----------------------------|---------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 584,837 | \$ 14,725 | \$ 11,555,031 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | 3,756,374 | 314,584 | 15,685,641 |
| Intermediate sources | - | - | - | - | - | - | - | 246,871 |
| State sources | - | - | - | - | - | - | - | 17,592,446 |
| Federal sources | - | 5,677 | 45,447 | - | - | - | - | 1,645,799 |
| Other receipts | - | - | - | - | - | - | - | 101,279 |
| Total receipts | - | 5,677 | 45,447 | - | - | 3,756,374 | 314,584 | 35,272,036 |
| Disbursements: | | | | | | | | |
| Instruction | - | - | - | - | - | 4,098,083 | 313,117 | 17,484,332 |
| Support services | 2,509 | 3,016 | 23,897 | - | - | - | - | 10,265,550 |
| Noninstructional services | - | - | - | - | - | - | - | 1,272,922 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | 1,139,026 |
| Debt service | - | - | - | - | - | - | - | 3,656,253 |
| Nonprogrammed charges | - | - | - | - | - | - | - | 1,015,399 |
| Total disbursements | 2,509 | 3,016 | 23,897 | - | - | 4,098,083 | 313,117 | 34,833,482 |
| Excess (deficiency) of receipts over disbursements | (2,509) | 2,661 | 21,550 | - | - | (341,709) | 1,467 | 438,554 |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | 52,138 |
| Transfers in | 2,509 | - | 13,504 | - | - | - | - | 1,246,061 |
| Transfers out | - | (2,661) | (35,054) | - | - | - | - | (1,249,409) |
| Total other financing sources (uses) | 2,509 | (2,661) | (21,550) | - | - | - | - | 48,790 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | - | - | - | (341,709) | 1,467 | 487,344 |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 243,128 | \$ 16,192 | \$ 12,042,375 |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

| | General | Debt Service | Retirement/ Severance Bond Debt Service | Capital Projects | School Transportation | School Bus Replacement | Rainy Day | Construction | School Lunch |
|---|--------------|-----------------|---|---------------------|--------------------------|------------------------------|--------------|--------------|-----------------|
| Cash and investments - beginning | \$ 2,644,432 | \$ 2,428,862 | \$ 64,276 | \$ 888,647 | \$ 1,491,967 | \$ 159,231 | \$ 2,651,885 | \$ 224,135 | \$ 93,765 |
| Receipts: | | | | | | | | | |
| Local sources | 833,494 | 3,449,442 | 170,251 | 1,981,912 | 2,814,223 | 291,482 | 67,450 | - | 322,610 |
| Intermediate sources | 10,506 | - | - | - | - | - | 4,450 | - | 23,566 |
| State sources | 17,387,415 | - | - | - | - | - | - | - | 8,162 |
| Federal sources | - | - | - | - | - | - | - | - | 845,021 |
| Other receipts | 92,868 | - | - | 52,680 | - | - | - | - | 400 |
| Total receipts | 18,324,283 | 3,449,442 | 170,251 | 2,034,592 | 2,814,223 | 291,482 | 71,900 | - | 1,199,759 |
| Disbursements: | | | | | | | | | |
| Instruction | 12,084,919 | - | - | - | - | - | - | - | - |
| Support services | 5,417,250 | - | - | 1,027,787 | 2,220,114 | 270,317 | 555,058 | 2,437 | 400 |
| Noninstructional services | 61,452 | - | - | - | - | - | - | - | 1,168,777 |
| Facilities acquisition and construction | - | - | - | 475,261 | - | - | 38,374 | 204,612 | - |
| Debt service | - | 3,447,330 | 227,568 | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 17,563,621 | 3,447,330 | 227,568 | 1,503,048 | 2,220,114 | 270,317 | 593,432 | 207,049 | 1,169,177 |
| Excess (deficiency) of receipts over disbursements | 760,662 | 2,112 | (57,317) | 531,544 | 594,109 | 21,165 | (521,532) | (207,049) | 30,582 |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | 503 | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | 1,141,733 | - | - |
| Transfers out | (94) | - | - | (450,000) | (550,000) | - | (84,910) | - | - |
| Total other financing sources (uses) | 409 | - | - | (450,000) | (550,000) | - | 1,056,823 | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 761,071 | 2,112 | (57,317) | 81,544 | 44,109 | 21,165 | 535,291 | (207,049) | 30,582 |
| Cash and investments - ending | \$ 3,405,503 | \$ 2,430,974 | \$ 6,959 | \$ 970,191 | \$ 1,536,076 | \$ 180,396 | \$ 3,187,176 | \$ 17,086 | \$ 124,347 |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

| | Textbook Rental | Self- Insurance | Educational License Plates | IN Literacy Early Intervention 15/16 | IN Literacy Early Intervention 16/17 | IN Literacy Early Intervention 17/18 | Lilly Endowment | MCES Safe Haven Donations | SES Safe Haven Donations |
|---|--------------------|--------------------|----------------------------------|---|---|---|--------------------|---------------------------------|--------------------------------|
| Cash and investments - beginning | \$ 294,718 | \$ 529,439 | \$ 31 | \$ - | \$ 8,188 | \$ - | \$ 7,944 | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | 128,133 | 2,323,634 | - | - | - | - | - | 4,256 | 550 |
| Intermediate sources | - | - | 206 | - | - | - | - | - | - |
| State sources | 113,878 | - | - | - | - | 11,546 | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other receipts | 350 | - | - | - | - | - | - | - | - |
| Total receipts | 242,361 | 2,323,634 | 206 | - | - | 11,546 | - | 4,256 | 550 |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | 32 | - | 8,181 | 11,127 | - | 3,874 | 308 |
| Support services | 231,360 | 25,500 | - | - | 7 | - | 6,490 | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | 2,166,544 | - | - | - | - | - | - | - |
| Total disbursements | 231,360 | 2,192,044 | 32 | - | 8,188 | 11,127 | 6,490 | 3,874 | 308 |
| Excess (deficiency) of receipts over disbursements | 11,001 | 131,590 | 174 | - | (8,188) | 419 | (6,490) | 382 | 242 |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 11,001 | 131,590 | 174 | - | (8,188) | 419 | (6,490) | 382 | 242 |
| Cash and investments - ending | \$ 305,719 | \$ 661,029 | \$ 205 | \$ - | \$ - | \$ 419 | \$ 1,454 | \$ 382 | \$ 242 |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

| | Library Donations | Monsanto Donation | Wal-Mart Foundation | Duke Energy | Cook Donation Fund | Lowe's Grant | FCCLA Team Nutrition | Action for Healthy Kids | Monsanto |
|---|----------------------|----------------------|------------------------|----------------|-----------------------|-----------------|-------------------------|----------------------------|----------|
| Cash and investments - beginning | \$ - | \$ 2,500 | \$ - | \$ 18,343 | \$ 6,279 | \$ 1,021 | \$ 1,129 | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | 300 | - | - | - | 3,000 | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | 23 | - | - | - | - | - |
| Total receipts | 300 | - | - | 23 | 3,000 | - | - | - | - |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | 12,933 | - | 1,005 | 1,129 | - | - |
| Support services | 285 | 2,500 | - | 3,600 | 4,990 | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 285 | 2,500 | - | 16,533 | 4,990 | 1,005 | 1,129 | - | - |
| Excess (deficiency) of receipts over disbursements | 15 | (2,500) | - | (16,510) | (1,990) | (1,005) | (1,129) | - | - |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 15 | (2,500) | - | (16,510) | (1,990) | (1,005) | (1,129) | - | - |
| Cash and investments - ending | \$ 15 | \$ - | \$ - | \$ 1,833 | \$ 4,289 | \$ 16 | \$ - | \$ - | \$ - |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

| | Smithville | IASP, Inc. SES Mini Grant | OVHS Printing | OVHS Goat Farm | OCCF Grant (York) | OCCF STEM Grant | Living To Serve - OVHS FFA | State Farm - Mission Ignition |
|---|------------|------------------------------|------------------|-------------------|----------------------|--------------------|-------------------------------|----------------------------------|
| Cash and investments - beginning | \$ - | \$ - | \$ 3,106 | \$ 4,349 | \$ - | \$ - | \$ 9 | \$ - |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - |
| Intermediate sources | 6,000 | 250 | 522 | 5,822 | - | 18,750 | - | - |
| State sources | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - |
| Total receipts | 6,000 | 250 | 522 | 5,822 | - | 18,750 | - | - |
| Disbursements: | | | | | | | | |
| Instruction | - | 250 | 1,099 | 6,751 | - | 14,104 | 9 | - |
| Support services | - | - | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Total disbursements | - | 250 | 1,099 | 6,751 | - | 14,104 | 9 | - |
| Excess (deficiency) of receipts over disbursements | 6,000 | - | (577) | (929) | - | 4,646 | (9) | - |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 6,000 | - | (577) | (929) | - | 4,646 | (9) | - |
| Cash and investments - ending | \$ 6,000 | \$ - | \$ 2,529 | \$ 3,420 | \$ - | \$ 4,646 | \$ - | \$ - |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

| | Owen County LLC Drug Free 2016 | Owen County Drug Free 2017 | Owen County Drug Free 2018 | Scholarships and Awards | American Dairy Association | Reimbursement Fund | Boston Scientific | Boston Scientific - OVHS PLTW |
|---|-----------------------------------|-------------------------------|-------------------------------|----------------------------|-------------------------------|-----------------------|----------------------|-------------------------------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ - | \$ - | 1,581 | \$ - | \$ 109 |
| Receipts: | | | | | | | | |
| Local sources | - | - | 4,000 | - | - | 29,329 | - | - |
| Intermediate sources | - | - | - | - | - | 1,123 | - | - |
| State sources | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - |
| Total receipts | - | - | 4,000 | - | - | 30,452 | - | - |
| Disbursements: | | | | | | | | |
| Instruction | - | - | 2,542 | - | - | 17,778 | - | 109 |
| Support services | - | - | - | - | - | 11,508 | - | - |
| Noninstructional services | - | - | - | - | - | 849 | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Total disbursements | - | - | 2,542 | - | - | 30,135 | - | 109 |
| Excess (deficiency) of receipts over disbursements | - | - | 1,458 | - | - | 317 | - | (109) |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | 1,458 | - | - | 317 | - | (109) |
| Cash and investments - ending | \$ - | \$ - | \$ 1,458 | \$ - | \$ - | \$ 1,898 | \$ - | \$ - |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

| | SCI REMC After School | Formative Assessment | GT High Ability 2015-2016 | GT High Ability 2016-2017 | GT High Ability 2017-2018 | Drug Free Communities | Medicaid Reimbursement | Secured Schools Safety Grant |
|---|--------------------------|-------------------------|------------------------------|------------------------------|------------------------------|--------------------------|---------------------------|---------------------------------|
| Cash and investments - beginning | \$ 2,496 | \$ - | \$ - | \$ - | \$ - | \$ 301 | \$ 1,963 | \$ - |
| Receipts: | | | | | | | | |
| Local sources | 2,000 | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - |
| State sources | - | 26,150 | - | - | 34,981 | - | 38,552 | 6,787 |
| Federal sources | - | - | - | - | - | - | - | - |
| Other receipts | 9 | - | - | - | - | - | - | - |
| Total receipts | 2,009 | 26,150 | - | - | 34,981 | - | 38,552 | 6,787 |
| Disbursements: | | | | | | | | |
| Instruction | 4,178 | - | - | - | 32,576 | 301 | - | - |
| Support services | - | 26,150 | - | - | - | - | 13,466 | 12,610 |
| Noninstructional services | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Total disbursements | 4,178 | 26,150 | - | - | 32,576 | 301 | 13,466 | 12,610 |
| Excess (deficiency) of receipts over disbursements | (2,169) | - | - | - | 2,405 | (301) | 25,086 | (5,823) |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | 6,580 | - | - | 6,855 |
| Transfers out | - | - | - | - | (6,580) | - | - | (13,642) |
| Total other financing sources (uses) | - | - | - | - | - | - | - | (6,787) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (2,169) | - | - | - | 2,405 | (301) | 25,086 | (12,610) |
| Cash and investments - ending | \$ 327 | \$ - | \$ - | \$ - | \$ 2,405 | \$ - | \$ 27,049 | \$ (12,610) |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

| | IDOE STEM Acceleration | Afternoons R.O.C.K. MCES 12-13 | Safe Haven 2015-2016 | Safe Haven 2016-2017 | Safe Haven 2017-2018 | ICJI Drug Free | After School Programs SES | Non-English Speaking Programs | State Connectivity Grant |
|---|---------------------------|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------|------------------------------|-------------------------------------|--------------------------------|
| Cash and investments - beginning | \$ - | \$ 242 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 309 | \$ 3,668 |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | - | - | 3,959 | 2,639 | 4,140 | - | - | 7,770 |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | - | - | - | 3,959 | 2,639 | 4,140 | - | - | 7,770 |
| Disbursements: | | | | | | | | | |
| Instruction | 2,515 | 116 | - | - | 7,960 | 10,990 | - | - | - |
| Support services | - | - | - | - | - | - | - | - | 8,417 |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 2,515 | 116 | - | - | 7,960 | 10,990 | - | - | 8,417 |
| Excess (deficiency) of receipts over disbursements | (2,515) | (116) | - | 3,959 | (5,321) | (6,850) | - | - | (647) |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | 2,199 | 118 | - | - | - |
| Transfers out | - | - | - | (3,959) | (2,199) | (118) | - | - | - |
| Total other financing sources (uses) | - | - | - | (3,959) | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (2,515) | (116) | - | - | (5,321) | (6,850) | - | - | (647) |
| Cash and investments - ending | \$ (2,515) | \$ 126 | \$ - | \$ - | \$ (5,321) | \$ (6,850) | \$ - | \$ 309 | \$ 3,021 |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

| | Career and Technical Performance Grant | Governor's WEC | Senator David Ford Technology | Title I 2015-2016 | Title I 2016-2017 | Title I 2017-2018 | Title I School Improvement 2015-2016 | Title I School Improvement 2016-2017 | Title I School Improvement 2017-2018 |
|---|---|-------------------|----------------------------------|----------------------|----------------------|----------------------|---|---|---|
| Cash and investments - beginning | \$ 3,980 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | 13,179 | 11,005 | 63,000 | - | - | - | - | - | - |
| Federal sources | - | - | - | - | 297,368 | 261,464 | - | 43,071 | 17,910 |
| Other receipts | - | - | - | - | - | - | - | - | - |
| Total receipts | 13,179 | 11,005 | 63,000 | - | 297,368 | 261,464 | - | 43,071 | 17,910 |
| Disbursements: | | | | | | | | | |
| Instruction | - | 11,136 | - | - | 239,586 | 179,055 | - | 26,285 | 23,238 |
| Support services | 17,159 | - | 75,000 | - | 40,734 | 98,175 | - | 2,582 | 3,504 |
| Noninstructional services | - | - | - | - | 1,597 | 4,806 | - | 2,635 | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 17,159 | 11,136 | 75,000 | - | 281,917 | 282,036 | - | 31,502 | 26,742 |
| Excess (deficiency) of receipts over disbursements | (3,980) | (131) | (12,000) | - | 15,451 | (20,572) | - | 11,569 | (8,832) |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | 161 | 18,000 | - | - | - | - | - | - |
| Transfers out | - | (717) | (18,000) | - | (15,451) | - | - | (11,569) | - |
| Total other financing sources (uses) | - | (556) | - | - | (15,451) | - | - | (11,569) | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (3,980) | (687) | (12,000) | - | - | (20,572) | - | - | (8,832) |
| Cash and investments - ending | \$ - | \$ (687) | \$ (12,000) | \$ - | \$ - | \$ (20,572) | \$ - | \$ - | \$ (8,832) |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

| | Stewart Homeless Assistance Act 2015-2016 | Stewart Homeless Assistance Act 2016-2017 | Stewart Homeless Assistance Act 2017-2018 | Adult Basic Education | Medicaid Reimbursement - Federal | Title II Part A 2017-2019 | Title II Part A 2014-2016 | Title II Part A 2015-2017 |
|---|--|--|--|--------------------------|--|------------------------------|------------------------------|------------------------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ 18,946 | \$ 225,204 | \$ - | \$ - | \$ - |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | - |
| Federal sources | - | 5,313 | 1,039 | - | 86,582 | 487 | - | 118,757 |
| Other receipts | - | - | - | - | 275 | - | - | - |
| Total receipts | - | 5,313 | 1,039 | - | 86,857 | 487 | - | 118,757 |
| Disbursements: | | | | | | | | |
| Instruction | - | 4,965 | 4,203 | 6,417 | 22,154 | - | - | - |
| Support services | - | 1 | 312 | - | 41,669 | 487 | - | 109,562 |
| Noninstructional services | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Total disbursements | - | 4,966 | 4,515 | 6,417 | 63,823 | 487 | - | 109,562 |
| Excess (deficiency) of receipts over disbursements | - | 347 | (3,476) | (6,417) | 23,034 | - | - | 9,195 |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | (347) | - | - | - | - | - | (9,195) |
| Total other financing sources (uses) | - | (347) | - | - | - | - | - | (9,195) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | (3,476) | (6,417) | 23,034 | - | - | - |
| Cash and investments - ending | \$ - | \$ - | \$ (3,476) | \$ 12,529 | \$ 248,238 | \$ - | \$ - | \$ - |

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

| | Title II Part A 2016-2018 | Rural & Low Income Schools FY14 | Rural & Low Income Schools FY15 | Rural & Low Income Schools FY16 | Rural & Low Income Schools FY17 | Payroll Withholdings | Prepaid School Lunch | Totals |
|---|------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-------------------------|----------------------------|---------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 243,128 | \$ 16,192 | \$ 12,042,375 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | 3,616,678 | 298,177 | 16,340,921 |
| Intermediate sources | - | - | - | - | - | - | - | 71,195 |
| State sources | - | - | - | - | - | - | - | 17,733,163 |
| Federal sources | 68,682 | - | 8,638 | 41,975 | - | - | - | 1,796,307 |
| Other receipts | - | - | - | - | - | - | - | 146,605 |
| Total receipts | 68,682 | - | 8,638 | 41,975 | - | 3,616,678 | 298,177 | 36,088,191 |
| Disbursements: | | | | | | | | |
| Instruction | 41,924 | - | 350 | 33,550 | 31,631 | 3,753,780 | 296,529 | 16,899,589 |
| Support services | 35,498 | - | 1,932 | 17,481 | - | - | - | 10,284,342 |
| Noninstructional services | - | - | - | - | - | - | - | 1,240,116 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | 718,247 |
| Debt service | - | - | - | - | - | - | - | 3,674,898 |
| Nonprogrammed charges | - | - | - | - | - | - | - | 2,166,544 |
| Total disbursements | 77,422 | - | 2,282 | 51,031 | 31,631 | 3,753,780 | 296,529 | 34,983,736 |
| Excess (deficiency) of receipts over disbursements | (8,740) | - | 6,356 | (9,056) | (31,631) | (137,102) | 1,648 | 1,104,455 |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | 503 |
| Transfers in | 5,578 | - | - | 9,216 | - | - | - | 1,190,440 |
| Transfers out | (8,087) | - | (6,356) | (9,216) | - | - | - | (1,190,440) |
| Total other financing sources (uses) | (2,509) | - | (6,356) | - | - | - | - | 503 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (11,249) | - | - | (9,056) | (31,631) | (137,102) | 1,648 | 1,104,958 |
| Cash and investments - ending | \$ (11,249) | \$ - | \$ - | \$ (9,056) | \$ (31,631) | \$ 106,026 | \$ 17,840 | \$ 13,147,333 |

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SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2018

| <u>Government or Enterprise</u> | <u>Accounts Payable</u> | <u>Accounts Receivable</u> |
|---------------------------------|-----------------------------|--------------------------------|
| Governmental activities | <u>\$ 316,995</u> | <u>\$ 201,101</u> |

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2018

| Lessor | Purpose | Annual Lease Payment | Lease Beginning Date | Lease Ending Date |
|---|----------------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities: | | | | |
| BGE Financial | Band Instruments | \$ 4,949 | 8/1/2018 | 8/1/2020 |
| FP Mailing Solutions | Postage Machine (OVHS) | 588 | 7/3/2018 | 7/3/2023 |
| Owen Valley High School Building Corporation | Construction/OVHS | 510,500 | 1/15/2013 | 1/15/2025 |
| Owen Valley High School Building Corporation | Construction Projects | 289,500 | 12/9/2015 | 12/31/2021 |
| Pitney Bowes | Postage Machine (GES) | 480 | 4/17/2017 | 4/17/2021 |
| Pitney Bowes | Postage Machine (SES) | 425 | 8/1/2018 | 8/1/2023 |
| Pitney Bowes | Postage Machine - (Ed Ctr) | 2,100 | 2/17/2016 | 5/17/2021 |
| Spencer-Owen Facility Improvement Corporation | Construction/PES & GES | 636,000 | 1/15/2010 | 1/15/2020 |
| Toshiba | Copy Machine (OVHS ATHL) | 946 | 12/18/2014 | 12/18/2018 |
| Toshiba | Copy Machine (SES) | 1,716 | 1/17/2014 | 3/17/2019 |
| Toshiba Business Solutions | Copy Machines/Copiers | 22,898 | 2/14/2017 | 5/14/2022 |
| Toshiba Business Solutions | PES Copy Machine | 2,504 | 6/27/2016 | 6/27/2021 |
| Toshiba Financial Services | Copy Machines/Printers | 25,679 | 6/1/2018 | 8/1/2023 |
| Total governmental activities | | <u>1,498,285</u> | | |
| Total of annual lease payments | | <u>\$ 1,498,285</u> | | |

| Type | Description of Debt Purpose | Ending Principal Balance | Principal and Interest Due Within One Year |
|-------------------------------|--|--------------------------------|---|
| Governmental activities: | | | |
| General obligation bonds | 2010 Qualified School Construction Bonds | \$ 672,525 | \$ 224,920 |
| General obligation bonds | Retirement/Severance Bonds | 985,000 | 226,796 |
| Notes and loans payable | Common School Loans | <u>9,784,553</u> | <u>1,746,097</u> |
| Total governmental activities | | <u>11,442,078</u> | <u>2,197,813</u> |
| Totals | | <u>\$ 11,442,078</u> | <u>\$ 2,197,813</u> |

SPENCER-OWEN COMMUNITY SCHOOLS
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

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

| | <u>Ending Balance</u> |
|------------------------------------|-----------------------------|
| Governmental activities: | |
| Land | \$ 291,000 |
| Buildings | 57,056,976 |
| Improvements other than buildings | 1,894,113 |
| Machinery, equipment, and vehicles | 8,249,534 |
| Books and other | <u>632,219</u> |
| Total governmental activities | <u>68,123,842</u> |
| Total capital assets | <u><u>\$ 68,123,842</u></u> |

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

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

Report on Compliance for Each Major Federal Program

We have audited the Spencer-Owen Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *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. 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 2018-006 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Eligibility. Consequently, we were unable to determine whether the School Corporation complied with the 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 noncompliance 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 Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 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 items 2018-001, 2018-002, 2018-003, and 2018-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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, 2018-003, 2018-004, 2018-005, and 2018-006, 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
Paul D. Joyce, CPA
State Examiner

May 2, 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.

SPENCER-OWEN COMMUNITY SCHOOLS
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 |
|---|-------------------------------------|---------------------------|--|---|---|---|---|
| <u>Department of Agriculture</u> | | | | | | | |
| Child Nutrition Cluster | | | | | | | |
| School Breakfast Program | Indiana Department of Education | 10.553 | | | | | |
| School Breakfast Program FY2016-2017 | | | FY2016-2017 | \$ - | \$ 252,450 | \$ - | \$ - |
| School Breakfast Program FY2017-2018 | | | FY2017-2018 | - | - | - | 264,895 |
| Total - School Breakfast Program | | | | - | 252,450 | - | 264,895 |
| National School Lunch Program | | | | | | | |
| National School Lunch Program | Indiana Department of Education | 10.555 | | | | | |
| National School Lunch Program FY 2016-2017 | | | FY2016-2017 | - | 519,467 | - | - |
| National School Lunch Program FY 2017-2018 | | | FY2017-2018 | - | - | - | 570,729 |
| Commodity Supplemental Food Program 2016-2017 | | | FY2016-2017 | - | 37,292 | - | - |
| Commodity Supplemental Food Program 2017-2018 | | | FY2017-2018 | - | - | - | 80,665 |
| Total - National School Lunch Program | | | | - | 556,759 | - | 651,394 |
| Summer Food Service Program for Children | | | | | | | |
| Summer Food Service Program for Children | Indiana Department of Education | 10.559 | | | | | |
| Summer Food Service Program for Children | | | FY2016-2017 | - | 12,093 | - | - |
| Summer Food Service Program for Children | | | FY2017-2018 | - | - | - | 9,398 |
| Total - Summer Food Service Program for Children | | | | - | 12,093 | - | 9,398 |
| Total - Child Nutrition Cluster | | | | - | 821,302 | - | 925,687 |
| Total - Department of Agriculture | | | | - | 821,302 | - | 925,687 |
| <u>Department of Education</u> | | | | | | | |
| Special Education Cluster (IDEA) | | | | | | | |
| Special Education Grants to States | Indiana Department of Education | 84.027 | | | | | |
| Special Education Part B 14215-063-PN01 FY15 IDEA Part B 611 | | | 14215-063-PN01 | - | 13,112 | - | - |
| Special Education Part B 14216-063-PN01 FY16 IDEA Part B 611 | | | 14216-063-PN01 | - | 253,970 | - | - |
| Special Education Part B 14216-063-PN01 FY16 IDEA Part B 611 | | | 14216-063-PN01 | - | - | - | 1,015 |
| Special Education Part B 14217-063-PN01 FY17 IDEA Part B 611 | | | 14217-063-PN01 | - | 338,233 | - | - |
| Special Education Part B 14217-063-PN01 FY17 IDEA Part B 611 | | | 14217-063-PN01 | - | - | - | 327,974 |
| Special Education Part B 18611-063-PN01 FY18 IDEA Part B 611 | | | 18611-063-PN01 | - | - | - | 328,868 |
| Total - Special Education Grants to States | | | | - | 605,315 | - | 657,857 |
| Special Education Preschool Grants | | | | | | | |
| Special Education Pre-School Grant 18619-063-PN01 FY18 Part B 619 | Indiana Department of Education | 84.173 | | | | | |
| Special Education Pre-School Grant 18619-063-PN01 FY18 Part B 619 | | | 18619-063-PN01 | - | - | - | 18,431 |
| Special Education Pre-School Grant 45715-063-PN01 FY15 Part B 619 | | | 45715-063-PN01 | - | 10,562 | - | - |
| Special Education Pre-School Grant 45716-063-PN01 FY16 Part B 619 | | | 45716-063-PN01 | - | 22,124 | - | - |
| Special Education Pre-School Grant 45716-063-PN01 FY16 Part B 619 | | | 45716-063-PN01 | - | - | - | 914 |
| Special Education Pre-School Grant 45717-063-PN01 FY17 Part B 619 | | | 45717-063-PN01 | - | 14,144 | - | - |
| Special Education Pre-School Grant 45717-063-PN01 FY17 Part B 619 | | | 45717-063-PN01 | - | - | - | 7,789 |
| Total - Special Education Preschool Grants | | | | - | 46,830 | - | 27,134 |
| Total - Special Education Cluster (IDEA) | | | | - | 652,145 | - | 684,991 |
| Title I Grants to Local Educational Agencies | | | | | | | |
| Title I 2015-2016 | Indiana Department of Education | 84.010 | | | | | |
| Title I 2015-2016 | | | S010A150014 | - | 370,545 | - | - |
| Title I 2016-2017 | | | S010A150014 | - | 262,042 | - | - |

SPENCER-OWEN COMMUNITY SCHOOLS
 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 |
|--|---|---------------------------|--|---|---|---|---|
| ESEA 2016-2017 Title I Grant Project #17-6195 | | | S010A160014 | - | - | - | 297,368 |
| ESEA 2017-2018 Title I Grant Project #18-6195 | | | S010A170014 | - | - | - | 261,464 |
| Title I Sch Improve 2015-2016 | | | S010A150014 | - | 14,240 | - | - |
| Title I Sch Improve 2016-2017 | | | S010A160014 | - | 1,923 | - | - |
| ESEA 2016-2017 Title I 1003(a) School Improvement Grant | | | S010A160014 | - | - | - | 43,071 |
| ESEA 2017-2018 Title I 1003(a) School Improvement Grant | | | S010A170014 | - | - | - | 17,910 |
| Total - Title I Grants to Local Educational Agencies | | | | - | 648,750 | - | 619,813 |
| Education for Homeless Children and Youth | Indiana Department of Education | 84.196 | | | | | |
| FY15 McKinney-Vento Education for Homeless Children and Youth | | | S196A150015 | - | 7,987 | - | - |
| FY16 McKinney-Vento Education for Homeless Children and Youth | | | S196A160015 | - | 9,650 | - | - |
| FY16 McKinney-Vento Education for Homeless Children and Youth | | | S196A160015 | - | - | - | 5,313 |
| FY17 McKinney Vento Education for Homeless Children and Youth | | | S196A170015 | - | - | - | 1,039 |
| Total - Education for Homeless Children and Youth | | | | - | 17,637 | - | 6,352 |
| Rural Education | Indiana Department of Education | 84.358 | | | | | |
| Rural and Low Income Schools FY14 Title VI Part B Subpart 2 | | | S358B140014 | - | 5,677 | - | - |
| Rural and Low Income Schools FY15 Title VI Part B Subpart 2 | | | S358B150014 | - | 45,447 | - | - |
| Rural and Low Income Schools FY15 Title VI Part B Subpart 2 | | | S358B150014 | - | - | - | 8,638 |
| Rural and Low Income Schools FY16 Title VI Part B Subpart 2 | | | S358B160014 | - | - | - | 41,975 |
| Total - Rural Education | | | | - | 51,124 | - | 50,613 |
| Supporting Effective Instruction State Grants | Indiana Department of Education | 84.367 | | | | | |
| Title II Part A Improving Teacher Quality and Effectiveness Grant FY14 | | | S367A140013 | - | 119,313 | - | - |
| Title II Part A Improving Teacher Quality and Effectiveness Grant FY2015 | | | S367A150013 | - | - | - | 118,757 |
| Title II Part A Fund 6847 FFY 2015-2017 | | | S367A150015 | - | 13,174 | - | - |
| Title II Part A FFY 2016 | | | S367A160013 | - | - | - | - |
| Title II Part A Improving Teacher Quality and Effectiveness Grant FY16 | | | S367A160013 | - | - | - | 68,682 |
| Title II Part A Improving Teacher Quality and Effectiveness Grant FY17 | | | S367A170013 | - | - | - | 487 |
| Total - Supporting Effective Instruction State Grants | | | | - | 132,487 | - | 187,926 |
| Total - Department of Education | | | | - | 1,502,143 | - | 1,549,695 |
| Department of Health and Human Services | | | | | | | |
| Medicaid Cluster | | | | | | | |
| Medical Assistance Program | Indiana Family and Social Services Administration | 93.778 | | | | | |
| Indiana MAC & IEP Medical Claims | | | PCG | - | 9,276 | - | - |
| Indiana MAC & IEP Medical Claims | | | PCG | - | - | - | 20,513 |
| Total - Medical Assistance Program | | | | - | 9,276 | - | 20,513 |
| Total - Medicaid Cluster | | | | - | 9,276 | - | 20,513 |
| Total - Department of Health and Human Services | | | | - | 9,276 | - | 20,513 |
| Total federal awards expended | | | | \$ - | \$ 2,332,721 | \$ - | \$ 2,495,895 |

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 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. Special Education Cooperative

The School Corporation is a member of the Forest Hills Special Education Cooperative (Cooperative) which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weaknesses identified? | yes |
| Significant deficiency 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:

| CFDA Number | Name of Federal Program or Cluster | Opinion Issued |
|-------------|---|---------------------------------------|
| 84.010 | Title I Grants to Local Educational Agencies Child Nutrition Cluster Special Education Cluster (IDEA) | Unmodified Qualified 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: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): SO10A150014, SO10A160014, SO10A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

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

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 Allowable Costs/Cost Principles compliance requirement.

The Curriculum Director was paid 100 percent from the Title I grant which was supported by Semi-Annual Certifications. The Curriculum Director was under a teacher contract with an administrative contract addendum. The contract details the Curriculum Director duties as follows: develop curriculum requirements for the School Corporation, including training, responsible for ISTEP testing, summer programs, all local, state and federal grants, assist with corporation budget, assume responsibilities of the Superintendent of Schools in the absence of the Superintendent of Schools, and oversee the building administrators, technology, special education, and Hoosier Hills. The contract does not state any Title I duties or that official title as a Title I Director.

Context

The lack of controls and noncompliance were systemic issues 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). . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages amount specific activities or cost objectives if the employee works on more than on Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

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

Cause

Management had not developed a system on internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2018-002

Subject: Title I Grants to Local Educational Agencies - Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Years (or Other Identifying Numbers): SO10A150014, SO10A160014,
SO10A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Suspension and Debarment

The School Corporation did not have a policy regarding suspension and debarment. There were no procedures performed to verify that vendors were not suspended or debarred from participation in federal programs before a contract was signed. Two vendors received payments over \$25,000 without verification that they were not suspended or debarred from participation in the federal program.

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

Context

The lack of controls and noncompliance were systemic issues 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). . . ."

2 CFR 180.300 states:

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

- (a) Checking 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

The School Corporation had not established and implemented effective internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

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

Views of Responsible Officials

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

FINDING 2018-003

Subject: Title I Grants to Local Educational Agencies - Special
Tests and Provisions - Assessment System Security

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): SO10A150014, SO10A160014,
SO10A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement. The School Corporation had adopted a test security policy, but not all of the required employees had a signed security agreement on file.

Context

The lack of adequate internal controls and noncompliance were systemic issues 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). . . ."

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

The administrative regulation 511 IAC 5-5-5 states in part:

". . . (b) Any individual who administers, handles, or has access to secure test materials at the school or school corporation shall complete assessment training and sign a testing security and integrity agreement to remain on file in the appropriate building-level office each year."

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

Cause

The School Corporation had not established a system of internal control that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Special Tests and Provisions - Assessment System Security 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 a system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

Views of Responsible Officials

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

FINDING 2018-004

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2016-2017, FY2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements:

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

Cash Management

The School Corporation has not designed or implemented adequate controls, policies, or procedures to ensure that the monthly cash balances (net cash resources) of the School Lunch fund did not exceed three months average expenditures. There was no oversight, review, or monitoring of the net cash resources of the School Lunch fund.

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

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

Context

The lack of controls was a systemic issue throughout the audit period for the Cash Management compliance requirement. The lack of controls over the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement was isolated to fiscal year 2016-2017.

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

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

Effect

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

Questioned Costs

There were no questioned costs identified.

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

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-005

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016-2017, FY2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

Condition

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

The Annual Financial Reports (AFR) filed for fiscal years 2016-2017 and 2017-2018 did not agree with the School Corporation's financial records. The Verification Summary Reports for 2016-2017 and 2017-2018 did not agree with the School Corporation's food service system reports.

The Food Service Director was solely responsible for preparing and submitting the AFRs and Verification Summary Reports. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the information submitted was complete and accurate.

Context

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

(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 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

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

Indiana Department of Education's *General Instructions: Annual Financial Report* states:

"All data reported is on a School Food Authority basis. It should include all financial transactions from July 1 through June 30, thereby accurately reflecting the financial position of the School Food Service Fund as of June 30. Accurate supporting documentation must be maintained by appropriate accounting officials whether consolidated Corporation-level accounting is used, or one or more Extra-Curricular accounts at separate schools are used.

The income total and expense total boxes should agree exactly with total revenues and total expenditures recorded in the SFA's accounting records. All expenses need to be allocated appropriately to all existing programs."

7 CFR 245.6a(h) states in part:

"*Verification reporting and recordkeeping requirements.* By February 1, each local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS. . . . All verified applications must be readily retrievable on an individual school basis and include all documents submitted by the household for the purpose of confirming eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission. All relevant correspondence between the households selected for verification and the school or local educational agency must be retained. Local educational agencies are encouraged to collect and report any or all verification data elements before the required dates."

Cause

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

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Reporting 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 a system of internal controls related to the grant agreement and the Reporting 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 2018-006

Subject: School Breakfast Program, National School Lunch Program - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016-2017, FY2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-004.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement. The School Corporation did not have a control procedure in place to ensure the accuracy of the eligibility determinations.

The School Corporation did not maintain a list of students from the state whose eligibility was directly certified for fiscal year 2016-2017. Therefore, students coded in the food service system as direct certifications could not be verified. Additionally, individuals' information was not input correctly into the system for two applications tested from 2016-2017. This resulted in an incorrect eligibility determination for the students.

Context

The lack of controls and noncompliance were isolated to 2016-2017.

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

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 200.333 states in part:

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

7 CFR 245.6(c)(4) states:

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

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the grant agreement and the Eligibility compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

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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.

Spencer-Owen Community Schools

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

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

Board Members:

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

Administration:

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

April 25, 2019

Summary Schedule of Prior Audit Findings

Finding 2016-001

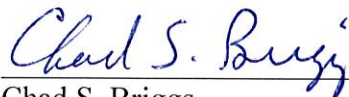
Pass-Through Entity, Indiana Department of Education

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

Contact Phone Number 812-829-2333

Status of Audit Finding:

Corrective action was taken.



Chad S. Briggs



Darla Thomas

Superintendent

Treasurer

April 25, 2019

April 25, 2019

Spencer-Owen Community Schools

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

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Larry Hight, *Secretary Pro Tem*
Sonia Brinson
Jack White
Lew Moke

Administration:

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

April 25, 2019

Summary Schedule of Prior Audit Findings

Finding 2016-002

Pass-Through Entity, Indiana Department of Education

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

Contact Phone Number 812-829-2233

Status of Audit Finding:

Cash Management – The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure that the monthly cash balances of the School Lunch fund did not exceed the average expenditure for three months. Was corrected 6/30/18.

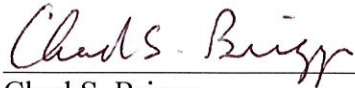
Program Income – The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure that program income was being accurately documented. Reconciliations or review of the collections were not being prepared to ensure that amounts were accurate. Corrective action was taken.

Reporting – The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure that required reports were accurately prepared. The School Lunch Director prepared and submitted the monthly Sponsor Claims and the Annual Financial Reports electronically via the Indiana Department of Education website. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the information submitted was complete and accurate. Uncorrected as of 6/30/18.

Special Tests and Provisions – Verification of Free and Reduced Price Applications
The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure that free and reduced meal applications were verified. There was no segregation of Duties, such as an oversight, review, or an approval process. Was corrected 6/30/17.

Special Tests and Provisions – Paid Lunch Equity


The School Corporation had not designed or implemented adequate policies and procedures to ensure that the paid lunch equity calculations were correct. We are now exempt from this calculation.



Chad S. Briggs

Superintendent

April 25, 2019



Darla Thomas

Treasurer

April 25, 2019

Spencer-Owen Community Schools

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

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Sonia Brinson
Jack White
Lew Moke

Administration:

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

April 25, 2019

Summary Schedule of Prior Audit Findings

Finding 2016-003

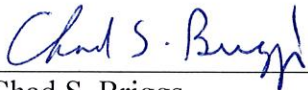
Pass-Through Entity, Indiana Department of Education

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

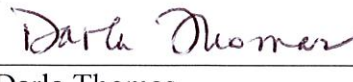
Contact Phone Number: 812-829-2233

Status of Audit Finding:

The School Corporation was a member of the Central Indiana Commodity Cooperative. The Co-op negotiated vendor contracts for food used to provide meals in the Child Nutrition Cluster for member schools. An effective internal control system was not in place at the Co-op in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. Corrective action was taken.



Chad S. Briggs



Darla Thomas

Superintendent

Treasurer

April 25, 2019

April 25, 2019

Spencer-Owen Community Schools

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

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Chad Cooper, *President*
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Rick Smeltzer, *Secretary*
Larry Hight, *Secretary Pro Tem*
Sonia Brinson
Jack White
Lew Moke

Administration:

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

April 25, 2019

Summary Schedule of Prior Audit Findings

Finding 2016-004

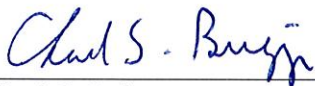
Pass-Through Entity, Indiana Department of Education

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

Contact Phone Number: 812-829-2233

Status of Audit Finding:

An effective internal control system was not in place to ensure compliance with requirements related to grant agreement and the Eligibility compliance requirement. The school year 2015-2016 Application for Free and Reduced Price School Meals submitted for the Assistant Food Service Director's child was approved for reduced benefits based on the reported net pay of the household (both parents were employees of the Corporation). If properly completed, reporting gross pay, the application did not meet the standards for any benefits. Corrective action was taken.



Chad S. Briggs

Superintendent

April 25, 2019



Darla Thomas

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Brock Beeman, *Curriculum Director*

April 25, 2019

Summary Schedule of Prior Audit Findings

Finding 2016-005

Pass-Through Entity, Indiana Department of Education

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

Contact Phone Number: 812-829-2233

Status of Audit Finding:

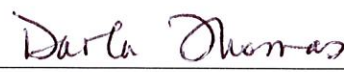
Management of the Forest Hills Special Education Cooperative had not established an effective internal control system related to the grant agreement and the Activities Allowed or Unallowed. Allowable Costs/Cost Principals, Cash Management, Period of Performance and Reporting compliance requirements. Corrective action was taken.



Chad S. Briggs

Superintendent

April 25, 2019



Darla Thomas

Treasurer

April 25, 2019

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Administration:

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

CORRECTIVE ACTION PLAN

FINDING 2018-001

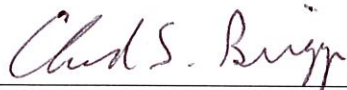
Contact Person Responsible for Corrective Action: Dr. Chad Briggs, Superintendent
Contact Phone Number: 812-829-2233

Views of Responsible Official: Spencer-Owen Community Schools concurs with the finding.

Description of Corrective Action Plan:

Contracted pay for the Curriculum Director will be split between Title I and the Operation Fund according to the percentage of work involved with each duty. A time and effort log will be completed monthly. The Curriculum Director's Contract Addendum will detail the time worked in Title I.

Anticipated Completion Date: June 30, 2019



Dr. Chad Briggs, Superintendent

May 2, 2019



Darla Thomas, Treasurer

May 2, 2019

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Administration:

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Brock Beeman, *Curriculum Director*

CORRECTIVE ACTION PLAN

FINDING 2018-002

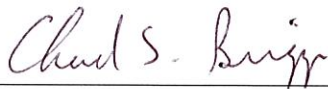
Contact Person Responsible for Corrective Action: Dr. Chad Briggs, Superintendent
Contact Phone Number: 812-829-2233

Views of Responsible Official: Spencer-Owen Community Schools concurs with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer and/or Deputy Treasurer will obtain information from The System for Award Management (SAM) to assure all vendors paid \$25,000 and above with federal dollars are active. We will not purchase from any vendor suspended or debarred from participation in the federal program. Spencer-Owen Community Schools will begin the process of preparing a suspension and debarment policy.

Anticipated Completion date: June 30, 2019



Dr. Chad Briggs, Superintendent

May 2, 2019



Darla Thomas, Treasurer

May 2, 2019

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Brock Beeman, *Curriculum Director*

CORRECTIVE ACTION PLAN

FINDING 2018-003

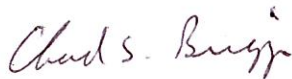
Contact Person Responsible for Corrective Action: Dr. Chad Briggs, Superintendent
Contact Phone Number: 812-829-2233

Views of Responsible Official: Spencer-Owen Community Schools concurs with the finding.

Description of Corrective Action Plan:

Spencer-Owen Community Schools followed the 2018-2019 ruling to monitor signed security agreements. Principals verified all their staff signed the security agreement and Central Office continued to update the staff roster during the school year. We plan to follow this same ruling in the future until changed or updated.

Anticipated Completion date: July 1, 2018



Dr. Chad Briggs, Superintendent

May 2, 2019



Darla Thomas, Treasurer

May 2, 2019

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

CORRECTIVE ACTION PLAN

FINDING 2018-004

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

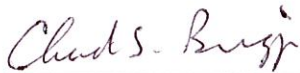
Views of Responsible Official: Spencer-Owen Community Schools concurs with the finding.

Description of Corrective Action Plan:

Cash Management – The school corporation will engage controls to ensure the monthly cash balance of the School Lunch fund does not exceed the average expenditure for three months.

Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP) – The school corporation engaged controls to ensure free and reduced meal applications were verified during the second year of this audit and will continue this control.

Anticipated Completion Date: June 30, 2018



Dr. Chad Briggs, Superintendent

May 2, 2019



Darla Thomas, Treasurer

May 2, 2019

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CORRECTIVE ACTION PLAN

FINDING 2018-005

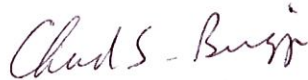
Contact Person Responsible for Corrective Action: Dr. Chad Briggs, Superintendent
Contact Phone Number: 812-829-2233

Views of Responsible Official: Spencer-Owen Community Schools concurs with the finding.

Description of Corrective Action Plan:

Food Service (Aramark) contract obligation revenue will be reported on the Annual Financial Report if received by the school corporation in the future.

Anticipated Completion Date: July 1, 2018



Dr. Chad Briggs, Superintendent

May 2, 2018



Darla Thomas, Treasurer

May 2, 2018

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CORRECTIVE ACTION PLAN

FINDING 2018-006

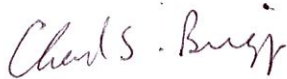
Contact Person Responsible for Corrective Action: Dr. Chad Briggs, Superintendent
Contact Phone Number: 812-829-2233

Views of Responsible Official: Spencer-Owen Community Schools concurs with the finding.

Description of Corrective Action Plan:

Student eligibility from direct certification will be entered into the food service software by the Technology and Food Service Reporting Assistant. This will ensure balance between the state and our local food service program. A list of direct certifications received from the state will be maintained for audit evidence.

Anticipated Completion Date: July 1, 2018



Dr. Chad Briggs, Superintendent

May 2, 2019



Darla Thomas, Treasurer

May 2019

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/>.