

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

LINTON-STOCKTON SCHOOL CORPORATION
GREENE COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
03/27/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carla Gambill	07-01-11 to 06-30-14
Superintendent of Schools	Nicholas G. Karazsia	07-01-11 to 06-30-14
President of the School Board	Rodney Bredeweg Ralph Witty	07-01-11 to 06-30-12 07-01-12 to 12-31-14



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE LINTON-STOCKTON SCHOOL
CORPORATION, GREENE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Linton-Stockton School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

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 of 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 of 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, 2011 to June 30, 2013.

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, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2014, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 Long-Term 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.



Paul D. Joyce, CPA
State Examiner

February 25, 2014



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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 LINTON-STOCKTON SCHOOL
CORPORATION, GREENE 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 Linton-Stockton School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated February 25, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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

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 entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

Linton-Stockton School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

February 25, 2014

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FINANCIAL STATEMENT

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.

LINTON-STOCKTON SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 1,550,611	\$ 8,306,173	\$ 8,241,084	\$ -	\$ 1,615,700	\$ 8,354,293	\$ 8,473,762	\$ -	\$ 1,496,231
Debt Service	82,588	1,278,622	1,105,294	57,427	313,343	1,282,606	1,125,868	-	470,081
Retirement/Severance Bond Debt Service	20,938	272,851	249,496	4,032	48,325	273,547	246,908	-	74,964
Capital Projects	751,271	654,242	602,213	-	803,300	671,904	625,025	-	850,179
School Transportation	516,287	305,885	439,046	-	383,126	350,975	449,791	34,927	319,237
School Bus Replacement	268,331	147,139	38,544	(61,459)	315,467	100,058	-	-	415,525
Rainy Day	440,000	-	-	-	440,000	-	-	(7,533)	432,467
Retirement/Severance Bond	213,572	1,012	113,910	-	100,674	193	108,400	7,533	-
Construction	-	-	-	-	-	-	949,900	1,978,588	1,028,688
Construction Fund MS Phase 1	-	-	-	-	-	115,753	115,753	-	-
Construction Fund MS Phase 2	-	-	-	-	-	101,523	101,523	-	-
School Lunch	287,824	554,171	495,765	-	346,230	552,372	496,006	-	402,596
Textbook Rental	(21,605)	116,374	179,129	-	(84,360)	111,602	29,740	-	(2,498)
Self-Insurance	1,253,278	1,720,622	1,719,801	-	1,254,099	1,592,937	1,749,061	-	1,097,975
Levy Excess	34,927	-	-	-	34,927	-	-	(34,927)	-
Preventing Youth Problems	2,579	8,338	10,868	-	49	-	-	-	49
Preventing Relational Violence	(3,194)	7,805	4,539	-	72	-	-	-	72
Family Strengthening Program	-	14,349	14,349	-	-	-	-	-	-
Educational License Plates	835	244	-	-	1,079	244	-	-	1,323
Wayne Pope Donation Fund	504	-	-	-	504	-	-	-	504
Recreational Activities	63	-	-	-	63	-	-	-	63
NASA Summer Camp	632	-	-	-	632	-	-	-	632
Scholarships and Awards	7,206	813	2,800	-	5,219	1,095	1,000	-	5,314
Tim Deeter Scholarship	219	666	229	-	656	438	800	-	294
Beecher Family Scholarship	400,000	3,702	3,000	-	400,702	4,826	2,000	-	403,528
Crop Production Services Scholarship	-	-	-	-	-	100	100	-	-
Dr. L Hare Charitable Trust	1,803	-	-	-	1,803	-	-	-	1,803
Miscellaneous Programs I	(2,252)	-	-	2,252	-	-	-	-	-
High Ability FY 11/12	-	29,484	29,484	-	-	-	-	-	-

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

LINTON-STOCKTON SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013
(Continued)

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	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
High Ability FY 12/13	-	-	-	-	-	29,679	27,418	-	2,261
Early Childhood Intervention (First Steps)	-	11,899	11,899	-	-	586	586	-	-
Medicaid Reimbursement	45,301	11,828	804	-	56,325	2,607	179	-	58,753
Non-English Speaking Programs P.L. 273-1999	365	-	-	-	365	-	-	-	365
School Technology	3,360	3,839	-	-	7,199	3,263	-	-	10,462
Access Indiana	10,032	2,484	1,280	-	11,236	2,835	1,300	-	12,771
Miscellaneous Programs II	4	18,580	18,580	-	4	-	-	-	4
CAPE II	1,362	-	-	-	1,362	-	-	-	1,362
Donations	-	3,485	-	-	3,485	18,580	-	-	22,065
Energy Government Grant	-	-	-	-	-	150,000	150,000	-	-
Title I FY 10/11	(14,388)	14,388	-	-	-	-	-	-	-
Title I FY 11/12	-	280,103	280,103	-	-	-	-	-	-
Title I FY 12/13	-	-	-	-	-	271,719	271,719	-	-
Innovative Education Program Strategies Title V (Part A)	3,497	-	-	-	3,497	-	-	-	3,497
Drug Free Schools	556	-	-	-	556	-	-	-	556
Ireland Home Based Services	-	-	-	-	-	510	510	-	-
Special Ed. Early Intervention	-	2,252	-	(2,252)	-	-	-	-	-
C.A.N. YR 3	-	50,099	50,099	-	-	-	-	-	-
C.A.N. YR 4	-	99,300	110,082	-	(10,782)	22,222	11,440	-	-
Ireland Home Based Social	-	9,801	11,351	-	(1,550)	3,030	1,480	-	-
Title II Part A FY 09/10	1,440	-	1,440	-	-	-	-	-	-
Title II Part A FY 10/11	(17,161)	66,867	49,734	-	(28)	11,699	11,671	-	-
Title II Part A FY 12/13	-	-	-	-	-	70,016	70,140	-	(124)
Special Education - Part B	(37)	5,155	5,118	-	-	-	-	-	-
Education Jobs	-	263,797	263,797	-	-	5,386	5,386	-	-
Payroll Withholding	1,949	2,107,527	2,104,333	-	5,143	2,044,597	2,033,258	-	16,482
Totals	\$ 5,842,697	\$ 16,373,896	\$ 16,158,171	\$ -	\$ 6,058,422	\$ 16,151,195	\$ 17,060,724	\$ 1,978,588	\$ 7,127,481

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

LINTON-STOCKTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, 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 which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

LINTON-STOCKTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include 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 which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows 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:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

LINTON-STOCKTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Transfers out which includes money 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 money 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 money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

LINTON-STOCKTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent 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
1 North Capital Street, 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.

LINTON-STOCKTON SCHOOL CORPORATION
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
1 North Capital Street, 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 setup as reimbursable grant funds. Textbook rental has a deficit balance due to revenue not being receipted in from the extra-curricular account at fiscal year-end.

Note 8. Restatements

For the year ended June 30, 2012, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances.

LINTON-STOCKTON SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Fund Name	Balance as of June 30, 2011	Prior Period Adjustment	Balance as of July 1, 2011
Payroll Withholding	\$ -	\$ 1,949	\$ 1,949

Note 9. Holding Corporation

The School Corporation has entered into an agreement with the Linton-Stockton 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. Bond payments were made by the School Corporation directly to the banks for the holding corporation's debt. During the years ending June 30, 2012, and 2013 payments of principal and interest were made that totaled \$1,080,115 and \$1,120,064, respectively.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are 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 supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 1,550,611	\$ 82,588	\$ 20,938	\$ 751,271	\$ 516,287	\$ 268,331	\$ 440,000	\$ 213,572
Receipts:								
Local sources	72,373	1,278,622	272,851	654,242	305,885	147,139	-	1,012
Intermediate sources	187	-	-	-	-	-	-	-
State sources	8,229,713	-	-	-	-	-	-	-
Federal sources	3,900	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>8,306,173</u>	<u>1,278,622</u>	<u>272,851</u>	<u>654,242</u>	<u>305,885</u>	<u>147,139</u>	<u>-</u>	<u>1,012</u>
Disbursements:								
Current:								
Instruction	5,816,894	-	-	-	-	-	-	113,910
Support services	2,316,188	-	-	394,981	439,046	38,544	-	-
Noninstructional services	108,002	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	207,232	-	-	-	-
Debt services	-	1,105,294	249,496	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>8,241,084</u>	<u>1,105,294</u>	<u>249,496</u>	<u>602,213</u>	<u>439,046</u>	<u>38,544</u>	<u>-</u>	<u>113,910</u>
Excess (deficiency) of receipts over disbursements	<u>65,089</u>	<u>173,328</u>	<u>23,355</u>	<u>52,029</u>	<u>(133,161)</u>	<u>108,595</u>	<u>-</u>	<u>(112,898)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	57,427	4,032	-	-	-	-	-
Transfers out	-	-	-	-	-	(61,459)	-	-
Total other financing sources (uses)	<u>-</u>	<u>57,427</u>	<u>4,032</u>	<u>-</u>	<u>-</u>	<u>(61,459)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>65,089</u>	<u>230,755</u>	<u>27,387</u>	<u>52,029</u>	<u>(133,161)</u>	<u>47,136</u>	<u>-</u>	<u>(112,898)</u>
Cash and investments - ending	<u>\$ 1,615,700</u>	<u>\$ 313,343</u>	<u>\$ 48,325</u>	<u>\$ 803,300</u>	<u>\$ 383,126</u>	<u>\$ 315,467</u>	<u>\$ 440,000</u>	<u>\$ 100,674</u>

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Construction	Construction Fund MS Phase 1	Construction Fund MS Phase 2	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Preventing Youth Problems
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 287,824	\$ (21,605)	\$ 1,253,278	\$ 34,927	\$ 2,579
Receipts:								
Local sources	-	-	-	228,989	70,647	1,716,185	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	5,373	45,727	-	-	8,338
Federal sources	-	-	-	319,809	-	-	-	-
Other	-	-	-	-	-	4,437	-	-
Total receipts	-	-	-	554,171	116,374	1,720,622	-	8,338
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	10,868
Support services	-	-	-	-	179,129	-	-	-
Noninstructional services	-	-	-	495,765	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	1,719,801	-	-
Total disbursements	-	-	-	495,765	179,129	1,719,801	-	10,868
Excess (deficiency) of receipts over disbursements	-	-	-	58,406	(62,755)	821	-	(2,530)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	58,406	(62,755)	821	-	(2,530)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 346,230	\$ (84,360)	\$ 1,254,099	\$ 34,927	\$ 49

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Preventing Relational Violence	Family Strengthening Program	Educational License Plates	Wayne Pope Donation Fund	Recreational Activities	NASA Summer Camp	Scholarships and Awards	Tim Deeter Scholarship
Cash and investments - beginning	\$ (3,194)	\$ -	\$ 835	\$ 504	\$ 63	\$ 632	\$ 7,206	\$ 219
Receipts:								
Local sources	-	-	-	-	-	-	813	666
Intermediate sources	-	-	244	-	-	-	-	-
State sources	7,805	14,349	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>7,805</u>	<u>14,349</u>	<u>244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>813</u>	<u>666</u>
Disbursements:								
Current:								
Instruction	4,539	14,349	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	2,800	229
Total disbursements	<u>4,539</u>	<u>14,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,800</u>	<u>229</u>
Excess (deficiency) of receipts over disbursements	<u>3,266</u>	<u>-</u>	<u>244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,987)</u>	<u>437</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,266</u>	<u>-</u>	<u>244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,987)</u>	<u>437</u>
Cash and investments - ending	<u>\$ 72</u>	<u>\$ -</u>	<u>\$ 1,079</u>	<u>\$ 504</u>	<u>\$ 63</u>	<u>\$ 632</u>	<u>\$ 5,219</u>	<u>\$ 656</u>

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Beecher Family Scholarship	Crop Production Services Scholarship	Dr. L Hare Charitable Trust	Miscellaneous Programs I	High Ability FY 11/12	High Ability FY12/13	Early Childhood Intervention (First Steps)	Medicaid Reimbursement
Cash and investments - beginning	\$ 400,000	\$ -	\$ 1,803	\$ (2,252)	\$ -	\$ -	\$ -	\$ 45,301
Receipts:								
Local sources	3,702	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	11,899	-
State sources	-	-	-	-	-	-	-	11,828
Federal sources	-	-	-	-	29,484	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>3,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,484</u>	<u>-</u>	<u>11,899</u>	<u>11,828</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	29,484	-	11,899	-
Support services	-	-	-	-	-	-	-	804
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	3,000	-	-	-	-	-	-	-
Total disbursements	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,484</u>	<u>-</u>	<u>11,899</u>	<u>804</u>
Excess (deficiency) of receipts over disbursements	<u>702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,024</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	2,252	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>702</u>	<u>-</u>	<u>-</u>	<u>2,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,024</u>
Cash and investments - ending	<u>\$ 400,702</u>	<u>\$ -</u>	<u>\$ 1,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,325</u>

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Non-English Speaking Programs P.L. 273-1999	School Technology	Access Indiana	Miscellaneous Programs II	Cape II	Donations	Energy Government Grant	Title I FY 10/11
Cash and investments - beginning	\$ 365	\$ 3,360	\$ 10,032	\$ 4	\$ 1,362	\$ -	\$ -	\$ (14,388)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	2,484	18,580	-	-	-	-
State sources	-	3,839	-	-	-	-	-	-
Federal sources	-	-	-	-	-	3,485	-	14,388
Other	-	-	-	-	-	-	-	-
Total receipts	-	3,839	2,484	18,580	-	3,485	-	14,388
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	1,280	-	-	-	-	-
Noninstructional services	-	-	-	18,580	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	1,280	18,580	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	3,839	1,204	-	-	3,485	-	14,388
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,839	1,204	-	-	3,485	-	14,388
Cash and investments - ending	\$ 365	\$ 7,199	\$ 11,236	\$ 4	\$ 1,362	\$ 3,485	\$ -	\$ -

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Title I FY 11/12	Title I FY 12/13	Innovative Education Program Strategies Title V (Part A)	Drug Free Schools	Ireland Home Based Services	Special Ed. Early Intervention	C.A.N. YR 3	C.A.N. YR 4
Cash and investments - beginning	\$ -	\$ -	\$ 3,497	\$ 556	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	280,103	-	-	-	-	2,252	50,099	99,300
Other	-	-	-	-	-	-	-	-
Total receipts	<u>280,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,252</u>	<u>50,099</u>	<u>99,300</u>
Disbursements:								
Current:								
Instruction	280,103	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	50,099	110,082
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>280,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,099</u>	<u>110,082</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,252</u>	<u>-</u>	<u>(10,782)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(2,252)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,252)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,782)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,497</u>	<u>\$ 556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,782)</u>

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Ireland Home Based Social	Title II Part A FY 09/10	Title II Part A FY 10/11	Title II Part A FY 12/13	Special Education Part B	Education Jobs	Payroll Withholding	Totals
Cash and investments - beginning	\$ -	\$ 1,440	\$ (17,161)	\$ -	\$ (37)	\$ -	\$ 1,949	\$ 5,842,697
Receipts:								
Local sources	-	-	-	-	-	-	-	4,753,126
Intermediate sources	-	-	-	-	-	-	-	33,394
State sources	-	-	-	-	-	-	-	8,326,972
Federal sources	9,801	-	66,867	-	5,155	263,797	-	1,148,440
Other	-	-	-	-	-	-	2,107,527	2,111,964
Total receipts	9,801	-	66,867	-	5,155	263,797	2,107,527	16,373,896
Disbursements:								
Current:								
Instruction	11,351	-	-	-	5,118	236,323	-	6,534,838
Support services	-	1,440	49,734	-	-	23,472	-	3,604,799
Noninstructional services	-	-	-	-	-	4,002	-	626,349
Facilities acquisition and construction	-	-	-	-	-	-	-	207,232
Debt services	-	-	-	-	-	-	-	1,354,790
Nonprogrammed charges	-	-	-	-	-	-	2,104,333	3,830,163
Total disbursements	11,351	1,440	49,734	-	5,118	263,797	2,104,333	16,158,171
Excess (deficiency) of receipts over disbursements	(1,550)	(1,440)	17,133	-	37	-	3,194	215,725
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	63,711
Transfers out	-	-	-	-	-	-	-	(63,711)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,550)	(1,440)	17,133	-	37	-	3,194	215,725
Cash and investments - ending	\$ (1,550)	\$ -	\$ (28)	\$ -	\$ -	\$ -	\$ 5,143	\$ 6,058,422

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 1,615,700	\$ 313,343	\$ 48,325	\$ 803,300	\$ 383,126	\$ 315,467	\$ 440,000	\$ 100,674
Receipts:								
Local sources	41,713	1,282,606	273,547	660,297	350,975	100,058	-	193
Intermediate sources	187	-	-	-	-	-	-	-
State sources	8,305,864	-	-	11,607	-	-	-	-
Federal sources	6,529	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>8,354,293</u>	<u>1,282,606</u>	<u>273,547</u>	<u>671,904</u>	<u>350,975</u>	<u>100,058</u>	<u>-</u>	<u>193</u>
Disbursements:								
Current:								
Instruction	6,074,033	-	-	-	-	-	-	108,400
Support services	2,292,598	-	-	397,283	449,791	-	-	-
Noninstructional services	107,131	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	227,742	-	-	-	-
Debt services	-	1,125,868	246,908	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>8,473,762</u>	<u>1,125,868</u>	<u>246,908</u>	<u>625,025</u>	<u>449,791</u>	<u>-</u>	<u>-</u>	<u>108,400</u>
Excess (deficiency) of receipts over disbursements	<u>(119,469)</u>	<u>156,738</u>	<u>26,639</u>	<u>46,879</u>	<u>(98,816)</u>	<u>100,058</u>	<u>-</u>	<u>(108,207)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	34,927	-	-	7,533
Transfers out	-	-	-	-	-	-	(7,533)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,927</u>	<u>-</u>	<u>(7,533)</u>	<u>7,533</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(119,469)</u>	<u>156,738</u>	<u>26,639</u>	<u>46,879</u>	<u>(63,889)</u>	<u>100,058</u>	<u>(7,533)</u>	<u>(100,674)</u>
Cash and investments - ending	<u>\$ 1,496,231</u>	<u>\$ 470,081</u>	<u>\$ 74,964</u>	<u>\$ 850,179</u>	<u>\$ 319,237</u>	<u>\$ 415,525</u>	<u>\$ 432,467</u>	<u>\$ -</u>

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Construction	Construction Fund MS Phase 1	Construction Fund MS Phase 2	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Preventing Youth Problems
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 346,230	\$ (84,360)	\$ 1,254,099	\$ 34,927	\$ 49
Receipts:								
Local sources	-	-	-	219,201	61,793	1,568,463	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	5,309	49,809	-	-	-
Federal sources	-	-	-	327,862	-	-	-	-
Other	-	115,753	101,523	-	-	24,474	-	-
Total receipts	-	115,753	101,523	552,372	111,602	1,592,937	-	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	-	29,740	-	-	-
Noninstructional services	-	-	-	496,006	-	-	-	-
Facilities acquisition and construction	949,900	115,753	101,523	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	1,749,061	-	-
Total disbursements	949,900	115,753	101,523	496,006	29,740	1,749,061	-	-
Excess (deficiency) of receipts over disbursements	(949,900)	-	-	56,366	81,862	(156,124)	-	-
Other financing sources (uses):								
Proceeds of long-term debt	1,978,588	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(34,927)	-
Total other financing sources (uses)	1,978,588	-	-	-	-	-	(34,927)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,028,688	-	-	56,366	81,862	(156,124)	(34,927)	-
Cash and investments - ending	<u>\$ 1,028,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,596</u>	<u>\$ (2,498)</u>	<u>\$ 1,097,975</u>	<u>\$ -</u>	<u>\$ 49</u>

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Preventing Relational Violence	Family Strengthening Program	Educational License Plates	Wayne Pope Donation Fund	Recreational Activities	NASA Summer Camp	Scholarships and Awards	Tim Deeter Scholarship
Cash and investments - beginning	\$ 72	\$ -	\$ 1,079	\$ 504	\$ 63	\$ 632	\$ 5,219	\$ 656
Receipts:								
Local sources	-	-	-	-	-	-	794	438
Intermediate sources	-	-	244	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	301	-
Total receipts	-	-	244	-	-	-	1,095	438
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	1,000	800
Total disbursements	-	-	-	-	-	-	1,000	800
Excess (deficiency) of receipts over disbursements	-	-	244	-	-	-	95	(362)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	244	-	-	-	95	(362)
Cash and investments - ending	\$ 72	\$ -	\$ 1,323	\$ 504	\$ 63	\$ 632	\$ 5,314	\$ 294

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Beecher Family Scholarship	Crop Production Services Scholarship	Dr. L Hare Charitable Trust	Miscellaneous Programs I	High Ability FY 11/12	High Ability FY12/13	Early Childhood Intervention (First Steps)	Medicaid Reimbursement
Cash and investments - beginning	\$ 400,702	\$ -	\$ 1,803	\$ -	\$ -	\$ -	\$ -	\$ 56,325
Receipts:								
Local sources	4,826	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	29,679	586	-
State sources	-	-	-	-	-	-	-	2,607
Federal sources	-	-	-	-	-	-	-	-
Other	-	100	-	-	-	-	-	-
Total receipts	<u>4,826</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,679</u>	<u>586</u>	<u>2,607</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	-	27,418	586	-
Support services	-	-	-	-	-	-	-	179
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	2,000	100	-	-	-	-	-	-
Total disbursements	<u>2,000</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,418</u>	<u>586</u>	<u>179</u>
Excess (deficiency) of receipts over disbursements	<u>2,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,261</u>	<u>-</u>	<u>2,428</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,261</u>	<u>-</u>	<u>2,428</u>
Cash and investments - ending	<u>\$ 403,528</u>	<u>\$ -</u>	<u>\$ 1,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,261</u>	<u>\$ -</u>	<u>\$ 58,753</u>

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Non-English Speaking Programs P.L. 273-1999	School Technology	Access Indiana	Miscellaneous Programs II	Cape II	Donations	Energy Government Grant	Title I FY 10/11
Cash and investments - beginning	\$ 365	\$ 7,199	\$ 11,236	\$ 4	\$ 1,362	\$ 3,485	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	1,240	-	-	-	-	-
State sources	-	3,263	1,595	-	-	-	-	-
Federal sources	-	-	-	-	-	18,580	150,000	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	3,263	2,835	-	-	18,580	150,000	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	1,300	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	150,000	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	1,300	-	-	-	150,000	-
Excess (deficiency) of receipts over disbursements	-	3,263	1,535	-	-	18,580	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,263	1,535	-	-	18,580	-	-
Cash and investments - ending	\$ 365	\$ 10,462	\$ 12,771	\$ 4	\$ 1,362	\$ 22,065	\$ -	\$ -

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Title I FY 11/12	Title I FY 12/13	Innovative Education Program Strategies Title V (Part A)	Drug Free Schools	Ireland Home Based Services	Special Ed. Early Intervention	C.A.N. YR 3	C.A.N. YR 4
Cash and investments - beginning	\$ -	\$ -	\$ 3,497	\$ 556	\$ -	\$ -	\$ -	\$ (10,782)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	271,719	-	-	510	-	-	22,222
Other	-	-	-	-	-	-	-	-
Total receipts	-	271,719	-	-	510	-	-	22,222
Disbursements:								
Current:								
Instruction	-	262,012	-	-	510	-	-	-
Support services	-	9,707	-	-	-	-	-	11,440
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	271,719	-	-	510	-	-	11,440
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-	10,782
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	-	-	10,782
Cash and investments - ending	\$ -	\$ -	\$ 3,497	\$ 556	\$ -	\$ -	\$ -	\$ -

LINTON-STOCKTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Ireland Home Based Social	Title II Part A FY 09/10	Title II Part A FY 10/11	Title II Part A FY 12/13	Special Education Part B	Education Jobs	Payroll Withholding	Totals
Cash and investments - beginning	\$ (1,550)	\$ -	\$ (28)	\$ -	\$ -	\$ -	\$ 5,143	\$ 6,058,422
Receipts:								
Local sources	-	-	-	-	-	-	-	4,564,904
Intermediate sources	-	-	-	-	-	-	-	31,936
State sources	-	-	-	-	-	-	-	8,380,054
Federal sources	3,030	-	11,699	70,016	-	5,386	-	887,553
Other	-	-	-	-	-	-	2,044,597	2,286,748
Total receipts	<u>3,030</u>	<u>-</u>	<u>11,699</u>	<u>70,016</u>	<u>-</u>	<u>5,386</u>	<u>2,044,597</u>	<u>16,151,195</u>
Disbursements:								
Current:								
Instruction	1,480	-	-	-	-	5,386	-	6,479,825
Support services	-	-	11,671	70,140	-	-	-	3,273,849
Noninstructional services	-	-	-	-	-	-	-	603,137
Facilities acquisition and construction	-	-	-	-	-	-	-	1,544,918
Debt services	-	-	-	-	-	-	-	1,372,776
Nonprogrammed charges	-	-	-	-	-	-	2,033,258	3,786,219
Total disbursements	<u>1,480</u>	<u>-</u>	<u>11,671</u>	<u>70,140</u>	<u>-</u>	<u>5,386</u>	<u>2,033,258</u>	<u>17,060,724</u>
Excess (deficiency) of receipts over disbursements	<u>1,550</u>	<u>-</u>	<u>28</u>	<u>(124)</u>	<u>-</u>	<u>-</u>	<u>11,339</u>	<u>(909,529)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,978,588
Transfers in	-	-	-	-	-	-	-	42,460
Transfers out	-	-	-	-	-	-	-	(42,460)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,978,588</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,550</u>	<u>-</u>	<u>28</u>	<u>(124)</u>	<u>-</u>	<u>-</u>	<u>11,339</u>	<u>1,069,059</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (124)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,482</u>	<u>\$ 7,127,481</u>

LINTON-STOCKTON SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2013

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Capital leases:		
High School Building	\$ 2,762,140	\$ 839,808
Junior High Roof Project	565,000	240,235
Notes and loans payable	5,803	5,803
Bonds payable:		
General obligation bonds:		
School Severance Program	<u>1,410,000</u>	<u>248,723</u>
Total debt	<u>\$ 4,742,943</u>	<u>\$ 1,334,569</u>

LINTON-STOCKTON SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2013

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

	Ending Balance
Governmental activities:	
Land	\$ 583,492
Buildings	16,065,954
Improvements other than buildings	1,186,572
Machinery and equipment	1,100,194
Total other capital assets	18,936,212

LINTON-STOCKTON SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN FUND BALANCES

The financial statement presented in this report included the following fund with overdrawn cash balances at June 30, 2013:

<u>Fund</u>	<u>Amount Overdrawn</u>
Textbook Rental	<u>\$ 2,498</u>

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE LINTON-STOCKTON SCHOOL
CORPORATION, GREENE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Linton-Stockton School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

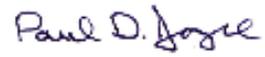
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002 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.

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

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


Paul D. Joyce, CPA
State Examiner

February 25, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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.

LINTON-STOCKTON SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2012 and 2013

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	2011/2012 and 2012/2013	\$ 47,485	\$ 53,254
National School Lunch Program	10.555	2011/2012 and 2012/2013	<u>309,483</u>	<u>313,947</u>
Total for cluster			<u>356,968</u>	<u>367,201</u>
Total for federal grantor agency			<u>356,968</u>	<u>367,201</u>
<u>U.S. DEPARTMENT OF ENERGY</u>				
Pass-Through Indiana Office of Energy Development				
State Energy Program	81.041	FY 12-13	-	<u>150,000</u>
Total for federal grantor agency			-	<u>150,000</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies				
FY 10-11-2950	84.010	FY 10-11-2950	14,388	-
FY 11-12-2950		FY 11-12-2950	280,103	-
FY 12-13-2950		FY 12-13-2950	<u>-</u>	<u>262,011</u>
Total for cluster			<u>294,491</u>	<u>262,011</u>
Pass-Through Greene-Sullivan Special Education Cooperative				
Special Education Cluster (IDEA)				
Special Education -Grants to States	84.027	FY 11-12	2,252	-
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 11-12	<u>5,155</u>	<u>-</u>
Total for cluster			<u>7,407</u>	<u>-</u>

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

LINTON-STOCKTON SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended June 30, 2012 and 2013
 (Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Direct Grant				
Safe and Drug Free Schools and Communities - National Programs	84.184			
FY 11-12-2950		FY 11-12-2950	50,099	-
FY 12-13-2950		FY 12-13-2950	<u>99,300</u>	<u>22,222</u>
Total for program			<u>149,399</u>	<u>22,222</u>
Pass-Through Twin Rivers Vocational Area				
Career and Technical Education - Basic Grants to States	84.048			
FY 11-12-2950		FY 11-12-2950	3,900	-
FY 12-13-2950		FY 12-13-2950	<u>-</u>	<u>6,529</u>
Total for program			<u>3,900</u>	<u>6,529</u>
Pass-Through Indiana Department of Education				
Improving Teacher Quality State Grants	84.367			
FY 11-12-2950		FY 11-12-2950	66,867	11,699
FY 12-13-2950		FY 12-13-2950	<u>-</u>	<u>70,016</u>
Total for program			<u>66,867</u>	<u>81,715</u>
Education Jobs Fund	84.410			
FY 11-12-2950		FY 11-12-2950	<u>263,797</u>	<u>5,386</u>
Total for federal grantor agency			<u>785,861</u>	<u>377,863</u>
Total federal awards expended			<u>\$ 1,142,829</u>	<u>\$ 895,064</u>

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

LINTON-STOCKTON SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Linton-Stockton School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
National School Lunch Program	10.555	\$ 37,159	\$ 39,340

LINTON-STOCKTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster

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

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROL OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

1. The SEFA was overstated by \$453,286;

LINTON-STOCKTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. Some of the grants included on the report were not federal grants in the audit period;
3. There were some federal grants not reported that should have been;
4. Some grants were reported for incorrect amounts.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.

LINTON-STOCKTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE OVER ELIGIBILITY

Federal Agency: U.S. Department of Agriculture

Federal Program: School Breakfast Program; National School Lunch Program

CFDA Number: 10.553; 10.555

Federal Award Number and Year (or Other Identifying Number): FY 2012; FY 2013

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and compliance requirements for Eligibility that has a direct and material effect on the School Breakfast Program and National School Lunch Program. The failure to establish an effective internal control system places the school at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

The School Corporation must determine household eligibility for free and reduced price meals, either through direct certification or the application process, at the beginning of the school year.

The School Lunch Director enters information from the free and reduced lunch applications into the Harmony software, which makes the determination as to what the status should be: free, reduced, or paid. The School Lunch Director notes the status on the original hard copy application and then signs the application.

In reviewing the approved applications, the following errors were noted. One application should have been approved as reduced but was approved as free. Another application was approved as free but should have been approved as reduced. Two of the applications requested were not presented for audit. It was determined that the errors were a result of incorrect information being entered into the computer system.

LINTON-STOCKTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

A lack of segregation of duties within an internal control system could allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grants. The failure to establish internal controls could enable material noncompliance to go undetected.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Noncompliance with the grant agreement or the eligibility compliance requirement that has a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

7 CFR 245.6 (c)(1) states in part: ". . . The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year."

We recommended that the School Corporation establish controls to ensure the safeguard of applications filed and ensure that the eligibility requirement is complied with.

LINTON-STOCKTON SCHOOL CORPORATION

Superintendent

Nicholas G. Karazsia

Board Members

Frank Gennicks
Les Newman
Bob Craig
Ralph Witty
Clint House

February 19, 2014

State Board of Accounts

Re: Schedule of Findings and Questioned Costs

Dear Sir or Madam:

As a result of the audit of Linton-Stockton School Corporation for the period July 1, 2011, through June 30, 2013, the following finding was noted by the State Board of Accounts:

Finding 2013-001 – INTERNAL CONTROLS OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

In response to the above finding, Linton-Stockton School Corporation provides this corrective action:

The Corporation Treasurer is now aware of the requirements for completion of the Schedule of Expenditures of Federal Awards (SEFA) and has been trained on what grants are to be included on the SEFA. Preparation of future SEFA reports will be completed accurately and will be reviewed and approved by the Superintendent of the School Corporation prior to submission to the State Board of Accounts.

Sincerely,



Carla Gambill, Treasurer
Linton-Stockton School Corporation



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LINTON-STOCKTON SCHOOL CORPORATION

Superintendent

Nicholas G. Karazsia

Board Members

Frank Gennicks
Les Newman
Bob Craig
Ralph Witty
Clint House

February 19, 2014

State Board of Accounts

Re: Schedule of Findings and Questioned Costs

Dear Sir or Madam:

As a result of the audit of Linton-Stockton School Corporation for the period July 1, 2011, through June 30, 2013, the following finding was noted by the State Board of Accounts:

Finding 2013-002 – INTERNAL CONTROLS AND COMPLIANCE OVER ELIGIBILITY

Federal Agency: U.S. Department of Agriculture

Federal Program: School Breakfast Program; National School Lunch Program

CFDA Number: 10.553; 10.555

Federal Award Number and Year (or Other Identifying Number): FY 2012; FY 2013

Pass-Through Entity: Indiana Department of Education

In response to the above finding, Linton-Stockton School Corporation provides these corrective actions:

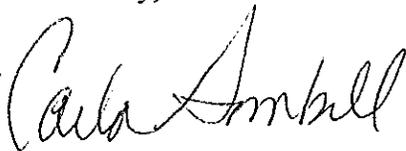
Effective immediately, under no circumstances will eligibility be determined by using manual calculations. Rather, the information will be entered into the food service software (currently Harmony) and the software will determine eligibility. In addition, two food service employees will be trained, in a manner approved by the Department of Education School Nutrition, on the application review process and one of those two employees will review each application to ensure that (1) the information has been entered accurately, (2) the correct status (paid/reduced/free) has been made, and (3) that the correct status (paid/reduced/free) has been entered on the student's demographics.



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Effective immediately, after the final review as stated in the above corrective action is complete, the application will be maintained by the Food Service Director in a manner to ensure that the applications are available for review at all times. In addition, no later than October 15th of each school year and no later than May 15th of each school year, the applications will be reviewed by a food service employee other than the Food Service Director to ensure that an application is on file for each student receiving assistance, unless the assistance is the result of direct certification in which case no application would be available.

Sincerely,



Carla Gambill, Treasurer
Linton-Stockton School Corporation



LINTON-STOCKTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 25, 2014 with Nicholas G. Karazsia, Superintendent of Schools; Carla Gambill, Treasurer; and Ralph Witty, President of the School Board. The officials concurred with our audit finding.