

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

RUSH COUNTY SCHOOLS  
RUSH COUNTY, INDIANA

July 1, 2011 to June 30, 2013



**FILED**  
03/28/2014



## TABLE OF CONTENTS

| <u>Description</u>  | <u>Page</u> |
|---|-------------|
| Schedule of Officials .....   | 2           |
| Independent Auditor's Report .....  | 3-5         |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of the Financial Statement<br>Performed in Accordance With Government Auditing Standards ..... | 6-7         |
| Financial Statement:  |             |
| Statement of Receipts, Disbursements, Other Financing Sources (Uses), and<br>Cash and Investment Balances - Regulatory Basis.....   | 11          |
| Notes to Financial Statement.....   | 12-17       |
| Supplementary Information - Unaudited:  |             |
| Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and<br>Cash and Investment Balances - Regulatory Basis.....   | 20-27       |
| Schedule of Payables and Receivables .....  | 28          |
| Schedule of Leases and Debt .....   | 29          |
| Schedule of Capital Assets.....   | 31          |
| Audit Results and Comments:   |             |
| Sale and Rental Proceeds.....   | 32          |
| Bank Account Reconciliations .....  | 32          |
| Condition of Records .....  | 32          |
| Supplemental Audit of Federal Awards:   |             |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on<br>Internal Control Over Compliance.....   | 34-35       |
| Schedule of Expenditures of Federal Awards .....  | 38-39       |
| Notes to Schedule of Expenditures of Federal Awards.....  | 40          |
| Schedule of Findings and Questioned Costs .....   | 41-45       |
| Auditee Prepared Schedules:   |             |
| Summary Schedule of Prior Audit Findings .....  | 46          |
| Corrective Action Plan.....   | 47-48       |
| Exit Conference.....  | 49          |

SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>                         | <u>Term</u>                                  |
|----------------------------------|---|--|
| Treasurer                        | Sharon Holloway<br>Nathaniel D. Day     | 07-01-11 to 10-31-13<br>11-01-13 to 06-30-14 |
| Superintendent<br>of Schools     | Dr. John E. Williams                    | 07-01-11 to 06-30-14                         |
| President of the<br>School Board | Dr. Steve R. Sickbert<br>Paul W. Barada | 07-01-11 to 12-31-12<br>01-01-13 to 12-31-14 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Rush County Schools (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 17, 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 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.

  
Paul D. Joyce, CPA  
State Examiner

February 17, 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 RUSH COUNTY SCHOOLS, RUSH 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 Rush County Schools (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 17, 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 items 2013-001 and 2013-002 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 2013-002.

***Rush County Schools' Response to Findings***

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

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

February 17, 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.

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RUSH COUNTY SCHOOLS  
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<br>Investments<br>07-01-11 | Receipts             | Disbursements        | Other<br>Financing<br>Sources (Uses) | Cash and<br>Investments<br>06-30-12 | Receipts             | Disbursements        | Other<br>Financing<br>Sources (Uses) | Cash and<br>Investments<br>06-30-13 |
|--|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| General  | \$ 3,082,120                        | \$ 15,043,145        | \$ 15,414,472        | \$ -                                 | \$ 2,710,793                        | \$ 15,226,746        | \$ 15,654,349        | \$ -                                 | \$ 2,283,190                        |
| Debt Service   | 1,206,736                           | 2,053,482            | 2,165,000            | -                                    | 1,095,218                           | 2,186,776            | 2,165,000            | -                                    | 1,116,994                           |
| Capital Projects   | 2,132,956                           | 2,241,958            | 2,410,760            | (300,000)                            | 1,664,154                           | 2,321,016            | 2,533,581            | -                                    | 1,451,589                           |
| School Transportation  | 1,406,614                           | 1,701,989            | 2,093,890            | (249,500)                            | 765,213                             | 1,861,907            | 2,091,232            | -                                    | 535,888                             |
| School Bus Replacement   | 250,456                             | 297,908              | 334,114              | 5,000                                | 219,250                             | 334,929              | 334,134              | 14,200                               | 234,245                             |
| Rainy Day  | 1,492,000                           | -                    | -                    | 550,000                              | 2,042,000                           | -                    | -                    | -                                    | 2,042,000                           |
| School Lunch   | 443,229                             | 1,432,498            | 1,324,111            | -                                    | 551,616                             | 1,481,915            | 1,433,957            | -                                    | 599,574                             |
| Textbook Rental  | 266,232                             | 262,571              | 475,484              | -                                    | 53,319                              | 444,503              | 266,543              | -                                    | 231,279                             |
| Educational License Plates   | 5,927                               | 544                  | -                    | -                                    | 6,471                               | 450                  | 1,710                | -                                    | 5,211                               |
| Early Intervention Grant   | -                                   | -                    | -                    | -                                    | -                                   | 4,800                | 3,000                | -                                    | 1,800                               |
| Early Intervention 2012  | -                                   | 11,720               | 11,720               | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| Memorial Fund Donations  | 30                                  | 135                  | -                    | -                                    | 165                                 | -                    | -                    | -                                    | 165                                 |
| Extra-Curricular Activities  | 7,417                               | 4,511                | 5,943                | -                                    | 5,985                               | 609                  | 5,319                | -                                    | 1,275                               |
| Outdoor Nature Lab   | 134                                 | 315                  | -                    | -                                    | 449                                 | 357                  | -                    | -                                    | 806                                 |
| High Ability   | -                                   | -                    | 60                   | 60                                   | -                                   | -                    | -                    | -                                    | -                                   |
| School Technology  | -                                   | 1,072                | 1,072                | -                                    | -                                   | 1,339                | 3                    | -                                    | 1,336                               |
| Construction, Remodeling, and Equipping Buildings                  | 1,232,456                           | 15,800               | 356,881              | -                                    | 891,375                             | -                    | 654,887              | -                                    | 236,488                             |
| High Ability 10-11   | 24,106                              | -                    | 24,106               | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| High Ability 11-12   | -                                   | 34,659               | 11,545               | (60)                                 | 23,054                              | -                    | 23,054               | -                                    | -                                   |
| High Ability 12-13   | -                                   | -                    | -                    | -                                    | -                                   | 35,623               | 25,623               | -                                    | 10,000                              |
| DFS & Community (LLC)  | 9,276                               | 15,000               | 13,705               | -                                    | 10,571                              | 20,000               | 21,301               | -                                    | 9,270                               |
| Technology - Rebates   | 106,559                             | 41,613               | 20,302               | -                                    | 127,870                             | 17,569               | 39,572               | -                                    | 105,867                             |
| Title I  | (4,484)                             | 51,985               | 47,501               | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| Title I 12-13  | -                                   | -                    | -                    | -                                    | -                                   | 417,815              | 428,077              | -                                    | (10,262)                            |
| Title I 11-12  | -                                   | 411,644              | 434,826              | -                                    | (23,182)                            | 78,526               | 55,344               | -                                    | -                                   |
| IDEA   | -                                   | -                    | -                    | -                                    | -                                   | 275,487              | 303,642              | -                                    | (28,155)                            |
| (IDEA, Part B) LEA Capacity Building (Sliver) Grants               | -                                   | -                    | -                    | -                                    | -                                   | 70,000               | 49,307               | -                                    | 20,693                              |
| CFR Preschool  | -                                   | 10,438               | 13,814               | -                                    | (3,376)                             | 9,088                | 5,712                | -                                    | -                                   |
| Special Education Preschool  | -                                   | -                    | -                    | -                                    | -                                   | 20,912               | 20,912               | -                                    | -                                   |
| Improving Teaching Quality, No Child Left Behind, Title II, Part A | (222,237)                           | 237,770              | 303,305              | -                                    | (287,772)                           | 109,660              | (21,533)             | -                                    | (156,579)                           |
| Title II Part D  | (9,053)                             | -                    | (9,053)              | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| CFR Part B 10-11   | (30,878)                            | -                    | -                    | 30,878                               | -                                   | -                    | -                    | -                                    | -                                   |
| CFR Part B 11-12   | -                                   | 131,615              | 100,737              | (30,878)                             | -                                   | -                    | -                    | -                                    | -                                   |
| CFR Part B 12-13   | -                                   | 251,003              | 321,847              | -                                    | (70,844)                            | 178,733              | 107,889              | -                                    | -                                   |
| Special Education - Part B   | (25,853)                            | 81,862               | 56,009               | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| McKinney - Vento Education for Homeless                            | (39)                                | 64,229               | 64,190               | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| Education Jobs   | (344,785)                           | 485,685              | 140,900              | -                                    | -                                   | 17,238               | 17,238               | -                                    | -                                   |
| Payroll Withholdings   | 592,391                             | 4,850,924            | 4,840,125            | -                                    | 603,190                             | 5,039,802            | 5,060,409            | -                                    | 582,583                             |
| <b>Totals</b>  | <b>\$ 11,621,310</b>                | <b>\$ 29,736,075</b> | <b>\$ 30,977,366</b> | <b>\$ 5,500</b>                      | <b>\$ 10,385,519</b>                | <b>\$ 30,155,800</b> | <b>\$ 31,280,262</b> | <b>\$ 14,200</b>                     | <b>\$ 9,275,257</b>                 |

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

RUSH COUNTY 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, 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.

RUSH COUNTY SCHOOLS  
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:

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

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.

RUSH COUNTY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

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.

RUSH COUNTY 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 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.

RUSH COUNTY 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  
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. Negative Receipts and Disbursements**

The financial statement contains some receipts and/or disbursements which appear as negative entries. This is a result of errors, made in the prior period, being corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative receipt/disbursement was shown in the current period.

**Note 8. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants.

RUSH COUNTY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. Restatements**

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

| <u>Fund Name</u>         | <u>Balance as of<br/>June 30,<br/>2011</u> | <u>Prior<br/>Period<br/>Adjustment</u> | <u>Balance as of<br/>July 1,<br/>2011</u> |
|--------------------------|--|--|---|
| Payroll Withholding Fund | \$ -                                       | \$ 592,391                             | \$ 592,391                                |

**Note 10. Holding Corporations**

The School Corporation has entered into two capital leases with Rush County Elementary Schools 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 2011-2012 and 2012-2013 school years totaled \$2,165,000 each year.

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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.

RUSH COUNTY SCHOOLS  
 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<br>Service     | Capital<br>Projects | School<br>Transportation | School<br>Bus<br>Replacement | Rainy<br>Day        | School<br>Lunch   | Textbook<br>Rental | Educational<br>License<br>Plates |
|---|---------------------|---------------------|---------------------|--------------------------|------------------------------|---------------------|-------------------|--------------------|----------------------------------|
| Cash and investments - beginning  | \$ 3,082,120        | \$ 1,206,736        | \$ 2,132,956        | \$ 1,406,614             | \$ 250,456                   | \$ 1,492,000        | \$ 443,229        | \$ 266,232         | \$ 5,927                         |
| Receipts:   |                     |                     |                     |                          |                              |                     |                   |                    |                                  |
| Local sources   | 31,745              | 2,053,482           | 2,231,877           | 1,667,808                | 297,908                      | -                   | 723,734           | 173,372            | -                                |
| Intermediate sources  | -                   | -                   | -                   | -                        | -                            | -                   | -                 | -                  | 544                              |
| State sources   | 14,980,822          | -                   | -                   | -                        | -                            | -                   | 16,699            | 89,199             | -                                |
| Federal sources   | -                   | -                   | -                   | -                        | -                            | -                   | 692,065           | -                  | -                                |
| Other   | 30,578              | -                   | 10,081              | 34,181                   | -                            | -                   | -                 | -                  | -                                |
| Total receipts  | <u>15,043,145</u>   | <u>2,053,482</u>    | <u>2,241,958</u>    | <u>1,701,989</u>         | <u>297,908</u>               | <u>-</u>            | <u>1,432,498</u>  | <u>262,571</u>     | <u>544</u>                       |
| Disbursements:  |                     |                     |                     |                          |                              |                     |                   |                    |                                  |
| Current:  |                     |                     |                     |                          |                              |                     |                   |                    |                                  |
| Instruction   | 10,452,207          | -                   | -                   | -                        | -                            | -                   | -                 | -                  | -                                |
| Support services  | 4,521,493           | -                   | 993,789             | 2,093,890                | 334,114                      | -                   | -                 | 475,484            | -                                |
| Noninstructional services   | 440,772             | -                   | -                   | -                        | -                            | -                   | 1,324,111         | -                  | -                                |
| Facilities acquisition and construction   | -                   | -                   | 1,416,971           | -                        | -                            | -                   | -                 | -                  | -                                |
| Debt services   | -                   | 2,165,000           | -                   | -                        | -                            | -                   | -                 | -                  | -                                |
| Nonprogrammed charges   | -                   | -                   | -                   | -                        | -                            | -                   | -                 | -                  | -                                |
| Total disbursements   | <u>15,414,472</u>   | <u>2,165,000</u>    | <u>2,410,760</u>    | <u>2,093,890</u>         | <u>334,114</u>               | <u>-</u>            | <u>1,324,111</u>  | <u>475,484</u>     | <u>-</u>                         |
| Excess (deficiency) of receipts over disbursements  | <u>(371,327)</u>    | <u>(111,518)</u>    | <u>(168,802)</u>    | <u>(391,901)</u>         | <u>(36,206)</u>              | <u>-</u>            | <u>108,387</u>    | <u>(212,913)</u>   | <u>544</u>                       |
| Other financing sources (uses):   |                     |                     |                     |                          |                              |                     |                   |                    |                                  |
| Sale of capital assets  | -                   | -                   | -                   | 500                      | 5,000                        | -                   | -                 | -                  | -                                |
| Transfers in  | -                   | -                   | -                   | -                        | -                            | 550,000             | -                 | -                  | -                                |
| Transfers out   | -                   | -                   | (300,000)           | (250,000)                | -                            | -                   | -                 | -                  | -                                |
| Total other financing sources (uses)  | <u>-</u>            | <u>-</u>            | <u>(300,000)</u>    | <u>(249,500)</u>         | <u>5,000</u>                 | <u>550,000</u>      | <u>-</u>          | <u>-</u>           | <u>-</u>                         |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(371,327)</u>    | <u>(111,518)</u>    | <u>(468,802)</u>    | <u>(641,401)</u>         | <u>(31,206)</u>              | <u>550,000</u>      | <u>108,387</u>    | <u>(212,913)</u>   | <u>544</u>                       |
| Cash and investments - ending   | <u>\$ 2,710,793</u> | <u>\$ 1,095,218</u> | <u>\$ 1,664,154</u> | <u>\$ 765,213</u>        | <u>\$ 219,250</u>            | <u>\$ 2,042,000</u> | <u>\$ 551,616</u> | <u>\$ 53,319</u>   | <u>\$ 6,471</u>                  |

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

|   | Early<br>Intervention<br>2012 | Memorial<br>Fund<br>Donations | Extra-Curricular<br>Activities | Outdoor<br>Nature<br>Lab | High<br>Ability | School<br>Technology | Construction,<br>Remodeling,<br>and<br>Equipping<br>Buildings | High<br>Ability<br>10-11 |
|---|-------------------------------|-------------------------------|--------------------------------|--------------------------|-----------------|----------------------|---|--------------------------|
| Cash and investments - beginning  | \$ -                          | \$ 30                         | \$ 7,417                       | \$ 134                   | \$ -            | \$ -                 | \$ 1,232,456  | \$ 24,106                |
| Receipts:   |                               |                               |                                |                          |                 |                      |   |                          |
| Local sources   | -                             | 135                           | 4,511                          | 315                      | -               | -                    | 2,800   | -                        |
| Intermediate sources  | -                             | -                             | -                              | -                        | -               | -                    | -   | -                        |
| State sources   | 11,720                        | -                             | -                              | -                        | -               | 1,072                | -   | -                        |
| Federal sources   | -                             | -                             | -                              | -                        | -               | -                    | -   | -                        |
| Other   | -                             | -                             | -                              | -                        | -               | -                    | 13,000  | -                        |
| Total receipts  | 11,720                        | 135                           | 4,511                          | 315                      | -               | 1,072                | 15,800  | -                        |
| Disbursements:  |                               |                               |                                |                          |                 |                      |   |                          |
| Current:  |                               |                               |                                |                          |                 |                      |   |                          |
| Instruction   | -                             | -                             | 5,943                          | -                        | 60              | 1,072                | -   | 24,106                   |
| Support services  | -                             | -                             | -                              | -                        | -               | -                    | 1,958   | -                        |
| Noninstructional services   | -                             | -                             | -                              | -                        | -               | -                    | -   | -                        |
| Facilities acquisition and construction   | 11,720                        | -                             | -                              | -                        | -               | -                    | 354,923   | -                        |
| Debt services   | -                             | -                             | -                              | -                        | -               | -                    | -   | -                        |
| Nonprogrammed charges   | -                             | -                             | -                              | -                        | -               | -                    | -   | -                        |
| Total disbursements   | 11,720                        | -                             | 5,943                          | -                        | 60              | 1,072                | 356,881   | 24,106                   |
| Excess (deficiency) of receipts over disbursements  | -                             | 135                           | (1,432)                        | 315                      | (60)            | -                    | (341,081)   | (24,106)                 |
| Other financing sources (uses):   |                               |                               |                                |                          |                 |                      |   |                          |
| Sale of capital assets  | -                             | -                             | -                              | -                        | -               | -                    | -   | -                        |
| Transfers in  | -                             | -                             | -                              | -                        | 60              | -                    | 77,092  | -                        |
| Transfers out   | -                             | -                             | -                              | -                        | -               | -                    | (77,092)  | -                        |
| Total other financing sources (uses)  | -                             | -                             | -                              | -                        | 60              | -                    | -   | -                        |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | -                             | 135                           | (1,432)                        | 315                      | -               | -                    | (341,081)   | (24,106)                 |
| Cash and investments - ending   | \$ -                          | \$ 165                        | \$ 5,985                       | \$ 449                   | \$ -            | \$ -                 | \$ 891,375  | \$ -                     |

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

|   | High<br>Ability<br>11-12 | DFS<br>&<br>Community<br>(LLC) | Technology<br>-<br>Rebates | Title I    | Title<br>I<br>11-12 | CFR<br>Preschool | Improving<br>Teaching<br>Quality,<br>No Child<br>Left Behind,<br>Title II, Part A | Title<br>II<br>Part<br>D |
|---|--------------------------|--------------------------------|----------------------------|------------|---------------------|------------------|---|--------------------------|
| Cash and investments - beginning  | \$ -                     | \$ 9,276                       | \$ 106,559                 | \$ (4,484) | \$ -                | \$ -             | \$ (222,237)  | \$ (9,053)               |
| Receipts:   |                          |                                |                            |            |                     |                  |   |                          |
| Local sources   | -                        | 15,000                         | -                          | -          | -                   | -                | -   | -                        |
| Intermediate sources  | -                        | -                              | -                          | -          | -                   | -                | -   | -                        |
| State sources   | 34,659                   | -                              | 41,613                     | -          | -                   | -                | -   | -                        |
| Federal sources   | -                        | -                              | -                          | 51,985     | 411,644             | 10,438           | 237,770   | -                        |
| Other   | -                        | -                              | -                          | -          | -                   | -                | -   | -                        |
| Total receipts  | 34,659                   | 15,000                         | 41,613                     | 51,985     | 411,644             | 10,438           | 237,770   | -                        |
| Disbursements:  |                          |                                |                            |            |                     |                  |   |                          |
| Current:  |                          |                                |                            |            |                     |                  |   |                          |
| Instruction   | 11,545                   | 13,705                         | 20,302                     | 19,623     | 346,973             | -                | 303,305   | (9,053)                  |
| Support services  | -                        | -                              | -                          | 27,878     | 87,853              | 13,814           | -   | -                        |
| Noninstructional services   | -                        | -                              | -                          | -          | -                   | -                | -   | -                        |
| Facilities acquisition and construction   | -                        | -                              | -                          | -          | -                   | -                | -   | -                        |
| Debt services   | -                        | -                              | -                          | -          | -                   | -                | -   | -                        |
| Nonprogrammed charges   | -                        | -                              | -                          | -          | -                   | -                | -   | -                        |
| Total disbursements   | 11,545                   | 13,705                         | 20,302                     | 47,501     | 434,826             | 13,814           | 303,305   | (9,053)                  |
| Excess (deficiency) of receipts over disbursements  | 23,114                   | 1,295                          | 21,311                     | 4,484      | (23,182)            | (3,376)          | (65,535)  | 9,053                    |
| Other financing sources (uses):   |                          |                                |                            |            |                     |                  |   |                          |
| Sale of capital assets  | -                        | -                              | -                          | -          | -                   | -                | -   | -                        |
| Transfers in  | -                        | -                              | -                          | -          | -                   | -                | -   | -                        |
| Transfers out   | (60)                     | -                              | -                          | -          | -                   | -                | -   | -                        |
| Total other financing sources (uses)  | (60)                     | -                              | -                          | -          | -                   | -                | -   | -                        |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 23,054                   | 1,295                          | 21,311                     | 4,484      | (23,182)            | (3,376)          | (65,535)  | 9,053                    |
| Cash and investments - ending   | \$ 23,054                | \$ 10,571                      | \$ 127,870                 | \$ -       | \$ (23,182)         | \$ (3,376)       | \$ (287,772)  | \$ -                     |

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

|   | CFR<br>Part<br>B<br>10-11 | CFR<br>Part<br>B<br>11-12 | CFR<br>Part<br>B<br>12-13 | Special<br>Education -<br>Part B | McKinney -<br>Vento<br>Education<br>for<br>Homeless | Education<br>Jobs | Payroll<br>Withholdings | Totals        |
|---|---------------------------|---------------------------|---------------------------|----------------------------------|---|-------------------|-------------------------|---------------|
| Cash and investments - beginning  | \$ (30,878)               | \$ -                      | \$ -                      | \$ (25,853)                      | \$ (39)   | \$ (344,785)      | \$ 592,391              | \$ 11,621,310 |
| Receipts:   |                           |                           |                           |                                  |   |                   |                         |               |
| Local sources   | -                         | -                         | -                         | -                                | -   | -                 | -                       | 7,202,687     |
| Intermediate sources  | -                         | -                         | -                         | -                                | -   | -                 | -                       | 544           |
| State sources   | -                         | -                         | -                         | -                                | -   | -                 | -                       | 15,175,784    |
| Federal sources   | -                         | 131,615                   | 251,003                   | 81,862                           | 64,229  | 485,685           | -                       | 2,418,296     |
| Other   | -                         | -                         | -                         | -                                | -   | -                 | 4,850,924               | 4,938,764     |
| Total receipts  | -                         | 131,615                   | 251,003                   | 81,862                           | 64,229  | 485,685           | 4,850,924               | 29,736,075    |
| Disbursements:  |                           |                           |                           |                                  |   |                   |                         |               |
| Current:  |                           |                           |                           |                                  |   |                   |                         |               |
| Instruction   | -                         | 94,818                    | 266,559                   | -                                | -   | -                 | -                       | 11,551,165    |
| Support services  | -                         | 5,919                     | 55,288                    | 56,009                           | 63,379  | 140,900           | -                       | 8,871,768     |
| Noninstructional services   | -                         | -                         | -                         | -                                | 811   | -                 | -                       | 1,765,694     |
| Facilities acquisition and construction   | -                         | -                         | -                         | -                                | -   | -                 | -                       | 1,783,614     |
| Debt services   | -                         | -                         | -                         | -                                | -   | -                 | -                       | 2,165,000     |
| Nonprogrammed charges   | -                         | -                         | -                         | -                                | -   | -                 | 4,840,125               | 4,840,125     |
| Total disbursements   | -                         | 100,737                   | 321,847                   | 56,009                           | 64,190  | 140,900           | 4,840,125               | 30,977,366    |
| Excess (deficiency) of receipts over disbursements  | -                         | 30,878                    | (70,844)                  | 25,853                           | 39  | 344,785           | 10,799                  | (1,241,291)   |
| Other financing sources (uses):   |                           |                           |                           |                                  |   |                   |                         |               |
| Sale of capital assets  | -                         | -                         | -                         | -                                | -   | -                 | -                       | 5,500         |
| Transfers in  | -                         | (30,878)                  | -                         | -                                | -   | -                 | -                       | 596,274       |
| Transfers out   | 30,878                    | -                         | -                         | -                                | -   | -                 | -                       | (596,274)     |
| Total other financing sources (uses)  | 30,878                    | (30,878)                  | -                         | -                                | -   | -                 | -                       | 5,500         |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 30,878                    | -                         | (70,844)                  | 25,853                           | 39  | 344,785           | 10,799                  | (1,235,791)   |
| Cash and investments - ending   | \$ -                      | \$ -                      | \$ (70,844)               | \$ -                             | \$ -  | \$ -              | \$ 603,190              | \$ 10,385,519 |

RUSH COUNTY SCHOOLS  
 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<br>Service     | Capital<br>Projects | School<br>Transportation | School<br>Bus<br>Replacement | Rainy<br>Day        | School<br>Lunch   | Textbook<br>Rental |
|---|---------------------|---------------------|---------------------|--------------------------|------------------------------|---------------------|-------------------|--------------------|
| Cash and investments - beginning  | \$ 2,710,793        | \$ 1,095,218        | \$ 1,664,154        | \$ 765,213               | \$ 219,250                   | \$ 2,042,000        | \$ 551,616        | \$ 53,319          |
| Receipts:   |                     |                     |                     |                          |                              |                     |                   |                    |
| Local sources   | 13,477              | 2,186,776           | 2,319,866           | 1,824,231                | 334,929                      | -                   | 710,997           | 356,081            |
| Intermediate sources  | 907                 | -                   | -                   | -                        | -                            | -                   | -                 | -                  |
| State sources   | 15,194,446          | -                   | -                   | -                        | -                            | -                   | 16,356            | 88,422             |
| Federal sources   | -                   | -                   | -                   | -                        | -                            | -                   | 754,562           | -                  |
| Other   | 17,916              | -                   | 1,150               | 37,676                   | -                            | -                   | -                 | -                  |
| Total receipts  | <u>15,226,746</u>   | <u>2,186,776</u>    | <u>2,321,016</u>    | <u>1,861,907</u>         | <u>334,929</u>               | <u>-</u>            | <u>1,481,915</u>  | <u>444,503</u>     |
| Disbursements:  |                     |                     |                     |                          |                              |                     |                   |                    |
| Current:  |                     |                     |                     |                          |                              |                     |                   |                    |
| Instruction   | 10,844,883          | -                   | -                   | -                        | -                            | -                   | -                 | -                  |
| Support services  | 4,413,640           | -                   | 951,252             | 2,091,232                | 334,134                      | -                   | -                 | 266,543            |
| Noninstructional services   | 395,826             | -                   | -                   | -                        | -                            | -                   | 1,433,957         | -                  |
| Facilities acquisition and construction   | -                   | -                   | 1,582,329           | -                        | -                            | -                   | -                 | -                  |
| Debt services   | -                   | 2,165,000           | -                   | -                        | -                            | -                   | -                 | -                  |
| Nonprogrammed charges   | -                   | -                   | -                   | -                        | -                            | -                   | -                 | -                  |
| Total disbursements   | <u>15,654,349</u>   | <u>2,165,000</u>    | <u>2,533,581</u>    | <u>2,091,232</u>         | <u>334,134</u>               | <u>-</u>            | <u>1,433,957</u>  | <u>266,543</u>     |
| Excess (deficiency) of receipts over disbursements  | <u>(427,603)</u>    | <u>21,776</u>       | <u>(212,565)</u>    | <u>(229,325)</u>         | <u>795</u>                   | <u>-</u>            | <u>47,958</u>     | <u>177,960</u>     |
| Other financing sources (uses):   |                     |                     |                     |                          |                              |                     |                   |                    |
| Sale of capital assets  | -                   | -                   | -                   | -                        | 14,200                       | -                   | -                 | -                  |
| Total other financing sources (uses)  | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>                 | <u>14,200</u>                | <u>-</u>            | <u>-</u>          | <u>-</u>           |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(427,603)</u>    | <u>21,776</u>       | <u>(212,565)</u>    | <u>(229,325)</u>         | <u>14,995</u>                | <u>-</u>            | <u>47,958</u>     | <u>177,960</u>     |
| Cash and investments - ending   | <u>\$ 2,283,190</u> | <u>\$ 1,116,994</u> | <u>\$ 1,451,589</u> | <u>\$ 535,888</u>        | <u>\$ 234,245</u>            | <u>\$ 2,042,000</u> | <u>\$ 599,574</u> | <u>\$ 231,279</u>  |

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

|   | Educational<br>License<br>Plates | Early<br>Intervention<br>Grant | Memorial<br>Fund<br>Donations | Extra-Curricular<br>Activities | Outdoor<br>Nature<br>Lab | School<br>Technology | Construction,<br>Remodeling,<br>and<br>Equipping<br>Buildings | High<br>Ability<br>11-12 |
|---|----------------------------------|--------------------------------|-------------------------------|--------------------------------|--------------------------|----------------------|---|--------------------------|
| Cash and investments - beginning  | \$ 6,471                         | \$ -                           | \$ 165                        | \$ 5,985                       | \$ 449                   | \$ -                 | \$ 891,375  | \$ 23,054                |
| Receipts:   |                                  |                                |                               |                                |                          |                      |   |                          |
| Local sources   | -                                | -                              | -                             | 609                            | 357                      | -                    | -   | -                        |
| Intermediate sources  | 450                              | -                              | -                             | -                              | -                        | -                    | -   | -                        |
| State sources   | -                                | 4,800                          | -                             | -                              | -                        | 1,339                | -   | -                        |
| Federal sources   | -                                | -                              | -                             | -                              | -                        | -                    | -   | -                        |
| Other   | -                                | -                              | -                             | -                              | -                        | -                    | -   | -                        |
| Total receipts  | <u>450</u>                       | <u>4,800</u>                   | <u>-</u>                      | <u>609</u>                     | <u>357</u>               | <u>1,339</u>         | <u>-</u>  | <u>-</u>                 |
| Disbursements:  |                                  |                                |                               |                                |                          |                      |   |                          |
| Current:  |                                  |                                |                               |                                |                          |                      |   |                          |
| Instruction   | 1,710                            | -                              | -                             | 5,319                          | -                        | 3                    | -   | 23,054                   |
| Support services  | -                                | 3,000                          | -                             | -                              | -                        | -                    | -   | -                        |
| Noninstructional services   | -                                | -                              | -                             | -                              | -                        | -                    | -   | -                        |
| Facilities acquisition and construction   | -                                | -                              | -                             | -                              | -                        | -                    | 654,887   | -                        |
| Debt services   | -                                | -                              | -                             | -                              | -                        | -                    | -   | -                        |
| Nonprogrammed charges   | -                                | -                              | -                             | -                              | -                        | -                    | -   | -                        |
| Total disbursements   | <u>1,710</u>                     | <u>3,000</u>                   | <u>-</u>                      | <u>5,319</u>                   | <u>-</u>                 | <u>3</u>             | <u>654,887</u>  | <u>23,054</u>            |
| Excess (deficiency) of receipts over disbursements  | <u>(1,260)</u>                   | <u>1,800</u>                   | <u>-</u>                      | <u>(4,710)</u>                 | <u>357</u>               | <u>1,336</u>         | <u>(654,887)</u>  | <u>(23,054)</u>          |
| Other financing sources (uses):   |                                  |                                |                               |                                |                          |                      |   |                          |
| Sale of capital assets  | -                                | -                              | -                             | -                              | -                        | -                    | -   | -                        |
| 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>(1,260)</u>                   | <u>1,800</u>                   | <u>-</u>                      | <u>(4,710)</u>                 | <u>357</u>               | <u>1,336</u>         | <u>(654,887)</u>  | <u>(23,054)</u>          |
| Cash and investments - ending   | <u>\$ 5,211</u>                  | <u>\$ 1,800</u>                | <u>\$ 165</u>                 | <u>\$ 1,275</u>                | <u>\$ 806</u>            | <u>\$ 1,336</u>      | <u>\$ 236,488</u>   | <u>\$ -</u>              |

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

|   | High<br>Ability<br>12-13 | DFS<br>&<br>Community<br>(LLC) | Technology<br>-<br>Rebates | Title<br>I<br>12-13 | Title<br>I<br>11-12 | IDEA               | (IDEA,<br>Part B)<br>LEA Capacity<br>Building<br>(Sliver) Grants |
|---|--------------------------|--------------------------------|----------------------------|---------------------|---------------------|--------------------|--|
| Cash and investments - beginning  | \$ -                     | \$ 10,571                      | \$ 127,870                 | \$ -                | \$ (23,182)         | \$ -               | \$ -   |
| Receipts:   |                          |                                |                            |                     |                     |                    |  |
| Local sources   | -                        | 20,000                         | -                          | -                   | -                   | -                  | -  |
| Intermediate sources  | -                        | -                              | -                          | -                   | -                   | -                  | -  |
| State sources   | 35,623                   | -                              | 17,569                     | -                   | -                   | -                  | -  |
| Federal sources   | -                        | -                              | -                          | 417,815             | 78,526              | 275,487            | 70,000   |
| Other   | -                        | -                              | -                          | -                   | -                   | -                  | -  |
| Total receipts  | <u>35,623</u>            | <u>20,000</u>                  | <u>17,569</u>              | <u>417,815</u>      | <u>78,526</u>       | <u>275,487</u>     | <u>70,000</u>  |
| Disbursements:  |                          |                                |                            |                     |                     |                    |  |
| Current:  |                          |                                |                            |                     |                     |                    |  |
| Instruction   | 25,623                   | 21,301                         | 39,572                     | 434,580             | 11,478              | 217,035            | 49,307   |
| Support services  | -                        | -                              | -                          | (6,503)             | 43,866              | 86,607             | -  |
| Noninstructional services   | -                        | -                              | -                          | -                   | -                   | -                  | -  |
| Facilities acquisition and construction   | -                        | -                              | -                          | -                   | -                   | -                  | -  |
| Debt services   | -                        | -                              | -                          | -                   | -                   | -                  | -  |
| Nonprogrammed charges   | -                        | -                              | -                          | -                   | -                   | -                  | -  |
| Total disbursements   | <u>25,623</u>            | <u>21,301</u>                  | <u>39,572</u>              | <u>428,077</u>      | <u>55,344</u>       | <u>303,642</u>     | <u>49,307</u>  |
| Excess (deficiency) of receipts over disbursements  | <u>10,000</u>            | <u>(1,301)</u>                 | <u>(22,003)</u>            | <u>(10,262)</u>     | <u>23,182</u>       | <u>(28,155)</u>    | <u>20,693</u>  |
| Other financing sources (uses):   |                          |                                |                            |                     |                     |                    |  |
| Sale of capital assets  | -                        | -                              | -                          | -                   | -                   | -                  | -  |
| Total other financing sources (uses)  | -                        | -                              | -                          | -                   | -                   | -                  | -  |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>10,000</u>            | <u>(1,301)</u>                 | <u>(22,003)</u>            | <u>(10,262)</u>     | <u>23,182</u>       | <u>(28,155)</u>    | <u>20,693</u>  |
| Cash and investments - ending   | <u>\$ 10,000</u>         | <u>\$ 9,270</u>                | <u>\$ 105,867</u>          | <u>\$ (10,262)</u>  | <u>\$ -</u>         | <u>\$ (28,155)</u> | <u>\$ 20,693</u>   |

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

|   | CFR<br>Preschool | Special<br>Education<br>Preschool | Improving<br>Teaching<br>Quality,<br>No Child<br>Left Behind,<br>Title II, Part A | CFR<br>Part<br>B<br>12-13 | Education<br>Jobs | Payroll<br>Withholdings | Totals              |
|---|------------------|-----------------------------------|---|---------------------------|-------------------|-------------------------|---------------------|
| Cash and investments - beginning  | \$ (3,376)       | \$ -                              | \$ (287,772)  | \$ (70,844)               | \$ -              | \$ 603,190              | \$ 10,385,519       |
| Receipts:   |                  |                                   |   |                           |                   |                         |                     |
| Local sources   | -                | -                                 | -   | -                         | -                 | -                       | 7,767,323           |
| Intermediate sources  | -                | -                                 | -   | -                         | -                 | -                       | 1,357               |
| State sources   | -                | -                                 | -   | -                         | -                 | -                       | 15,358,555          |
| Federal sources   | 9,088            | 20,912                            | 109,660   | 178,733                   | 17,238            | -                       | 1,932,021           |
| Other   | -                | -                                 | -   | -                         | -                 | 5,039,802               | 5,096,544           |
| Total receipts  | <u>9,088</u>     | <u>20,912</u>                     | <u>109,660</u>  | <u>178,733</u>            | <u>17,238</u>     | <u>5,039,802</u>        | <u>30,155,800</u>   |
| Disbursements:  |                  |                                   |   |                           |                   |                         |                     |
| Current:  |                  |                                   |   |                           |                   |                         |                     |
| Instruction   | -                | -                                 | (24,994)  | 94,253                    | -                 | -                       | 11,743,124          |
| Support services  | 5,712            | 20,912                            | 3,461   | 13,636                    | 17,238            | -                       | 8,244,730           |
| Noninstructional services   | -                | -                                 | -   | -                         | -                 | -                       | 1,829,783           |
| Facilities acquisition and construction   | -                | -                                 | -   | -                         | -                 | -                       | 2,237,216           |
| Debt services   | -                | -                                 | -   | -                         | -                 | -                       | 2,165,000           |
| Nonprogrammed charges   | -                | -                                 | -   | -                         | -                 | 5,060,409               | 5,060,409           |
| Total disbursements   | <u>5,712</u>     | <u>20,912</u>                     | <u>(21,533)</u>   | <u>107,889</u>            | <u>17,238</u>     | <u>5,060,409</u>        | <u>31,280,262</u>   |
| Excess (deficiency) of receipts over disbursements  | <u>3,376</u>     | <u>-</u>                          | <u>131,193</u>  | <u>70,844</u>             | <u>-</u>          | <u>(20,607)</u>         | <u>(1,124,462)</u>  |
| Other financing sources (uses):   |                  |                                   |   |                           |                   |                         |                     |
| Sale of capital assets  | -                | -                                 | -   | -                         | -                 | -                       | 14,200              |
| Total other financing sources (uses)  | <u>-</u>         | <u>-</u>                          | <u>-</u>  | <u>-</u>                  | <u>-</u>          | <u>-</u>                | <u>14,200</u>       |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>3,376</u>     | <u>-</u>                          | <u>131,193</u>  | <u>70,844</u>             | <u>-</u>          | <u>(20,607)</u>         | <u>(1,110,262)</u>  |
| Cash and investments - ending   | <u>\$ -</u>      | <u>\$ -</u>                       | <u>\$ (156,579)</u>   | <u>\$ -</u>               | <u>\$ -</u>       | <u>\$ 582,583</u>       | <u>\$ 9,275,257</u> |

RUSH COUNTY SCHOOLS  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2013

| School Corporation      | Accounts<br>Payable | Accounts<br>Receivable |
|-------------------------|---------------------|------------------------|
| Governmental activities | <u>\$ 1,398,094</u> | <u>\$ 194,996</u>      |

RUSH COUNTY SCHOOLS  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2013

| Lessor   | Purpose                    | Annual<br>Lease<br>Payment | Lease<br>Beginning<br>Date | Lease<br>Ending<br>Date |
|--|----------------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities:                           |                            |                            |                            |                         |
| Capital leases:                                    |                            |                            |                            |                         |
| Rush County Elementary School Building Corporation | Elementary School Building | \$ 2,056,062               | 01-15-09                   | 01-15-28                |
| Rush County Elementary School Building Corporation | Elementary School Building | <u>108,938</u>             | 07-15-09                   | 01-15-29                |
| Total of annual lease payments                     |                            | <u>\$ 2,165,000</u>        |                            |                         |

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RUSH COUNTY SCHOOLS  
 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<br>Balance |
|------------------------------------|-------------------|
| Governmental activities:           |                   |
| Land                               | \$ 576,500        |
| Buildings                          | 50,710,280        |
| Improvements other than buildings  | 111,185           |
| Machinery, equipment, and vehicles | 7,219,493         |
| Total capital assets               | \$ 58,617,457     |

RUSH COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS

***SALE AND RENTAL PROCEEDS***

Proceeds in the amount of \$5,600 from the sale of real property, on which the former Arlington Elementary school building was located, were not receipted and deposited into the funds of the School Corporation, but instead were donated to the Rush County Community Foundation Legacy Fund (Fund). According to the Rush County Community Foundation website, the Fund was established on December 15, 2011, and its purpose is to provide financial support for Rush County Schools. This would include, but is not limited to, academic issues, athletic issues, capital projects and the General Fund. This is a non-permanent fund, of which, the principal is allowed to be spent toward the purpose of the Fund. It is not endowed.

Proceeds generated by the sale or rental of property should be receipted into the fund which originally purchased the property unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***BANK ACCOUNT RECONCILIATIONS (Applies to Rush Elementary School West and Rush Elementary School East)***

Depository reconciliations of the fund balances to the bank account balances were not presented for audit for any months during the audit period for Rush Elementary School West.

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations did not balance with fund reports presented for audit for Rush Elementary School East. The outstanding check lists and any other supporting documentation were not presented for audit.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

***CONDITION OF RECORDS (Applies to Rush Elementary School East and Rush Elementary School West)***

Financial records presented for audit were incomplete and not reflective of the activity of the Extra-Curricular funds for Rush Elementary School East and Rush Elementary School West. Records provided did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. Detailed ledgers of receipts, disbursements, and balances were not presented.

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 Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

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

We have audited the Rush County Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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)

***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 items 2013-003 and 2013-004 to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

February 17, 2014

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## 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.

RUSH COUNTY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2012 and 2013

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended<br>06-30-12 | Total<br>Federal Awards<br>Expended<br>06-30-13 |
|---|-------------------------------------|---------------------------|--|---|---|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u>                               |                                     |                           |  |   |   |
| Child Nutrition Cluster   |                                     |                           |  |   |   |
| School Breakfast Program  | Indiana Department of Education     | 10.553                    | FY 2012<br>FY 2013   | \$ 119,341<br>-                                 | \$ -<br>134,023                                 |
| Total - School Breakfast Program                                    |                                     |                           |  | <u>119,341</u>                                  | <u>134,023</u>                                  |
| National School Lunch Program                                       | Indiana Department of Education     | 10.555                    | FY 2012<br>FY 2013   | 678,961<br>-                                    | -<br>726,551                                    |
| Total - National School Lunch Program                               |                                     |                           |  | <u>678,961</u>                                  | <u>726,551</u>                                  |
| Total - Child Nutrition Cluster                                     |                                     |                           |  | <u>798,302</u>                                  | <u>860,574</u>                                  |
| <u>U.S. DEPARTMENT OF EDUCATION</u>                                 |                                     |                           |  |   |   |
| Title I, Part A Cluster   |                                     |                           |  |   |   |
| Title I Grants to Local Educational Agencies                        | Indiana Department of Education     | 84.010                    | 2010/2011<br>2011/2012<br>2012/2013                        | 51,985<br>411,644<br>-                          | -<br>78,526<br>417,815                          |
| Total - Title I Grants to Local Educational Agencies                |                                     |                           |  | <u>463,629</u>                                  | <u>496,341</u>                                  |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act   | Indiana Department of Education     | 84.389                    | 2010/2011  | 64,229  | -   |
| Total - Title I, Part A Cluster                                     |                                     |                           |  | <u>527,858</u>                                  | <u>496,341</u>                                  |
| Special Education Cluster   |                                     |                           |  |   |   |
| Special Education - Grants to States                                | Indiana Department of Education     | 84.027                    | 2010/2011<br>2011/2012<br>2012/2013<br>SEI 2012/2013       | 131,615<br>251,003<br>-<br>-                    | -<br>178,733<br>275,487<br>49,307               |
| Total - Special Education - Grants to States                        |                                     |                           |  | <u>382,618</u>                                  | <u>503,527</u>                                  |

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

RUSH COUNTY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2012 and 2013  
(Continued)

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended<br>06-30-12 | Total<br>Federal Awards<br>Expended<br>06-30-13 |
|---|-------------------------------------|---------------------------|--|---|---|
| <u>U.S. DEPARTMENT OF EDUCATION (continued)</u>                     |                                     |                           |  |   |   |
| Special Education Cluster (continued)                               |                                     |                           |  |   |   |
| Special Education - Preschool Grants                                | Indiana Department of Education     | 84.173                    | 2010/2011  | 10,438  | -   |
|   |                                     |                           | 2011/2012  | -   | 9,088   |
|   |                                     |                           | 2012/2013  | -   | 20,912  |
| Total - Special Education - Preschool Grants                        |                                     |                           |  | <u>10,438</u>                                   | <u>30,000</u>                                   |
| ARRA - Special Education - Grants to States, Recovery Act           | Indiana Department of Education     | 84.391                    | 33310-071-SN01   | <u>81,862</u>                                   | -   |
| Total - Special Education Cluster                                   |                                     |                           |  | <u>474,918</u>                                  | <u>533,527</u>                                  |
| Improving Teacher Quality State Grants                              | Indiana Department of Education     | 84.367                    | 2011/2012  | 237,770   | -   |
|   |                                     |                           | 2012/2013  | -   | 109,658   |
| Total - Improving Teacher Quality State Grants                      |                                     |                           |  | <u>237,770</u>                                  | <u>109,658</u>                                  |
| Education Jobs Funds  | Indiana Department of Education     | 84.410                    | 2010-2011  | <u>485,685</u>                                  | <u>17,238</u>                                   |
| Total - U.S. Department of Education                                |                                     |                           |  | <u>1,726,231</u>                                | <u>1,156,764</u>                                |
| Total federal awards expended                                       |                                     |                           |  | <u>\$ 2,524,533</u>                             | <u>\$ 2,017,338</u>                             |

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

RUSH COUNTY SCHOOLS  
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 Rush County Schools (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<br>CFDA<br>Number | 2012       | 2013       |
|-------------------------------|---------------------------|------------|------------|
| National School Lunch Program | 10.555                    | \$ 106,237 | \$ 106,011 |

RUSH COUNTY 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;<br>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:

| CFDA<br>Number | Name of Federal Program or Cluster                             |
|----------------|--|
| 84.367         | Child Nutrition Cluster  |
| 84.410         | Improving Teacher Quality State Grants<br>Education Jobs Funds |

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 CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the School Corporation for procedures in place during the audit period related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

RUSH COUNTY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation had not separated incompatible activities related to receipts and cash and investment balances during the audit period. The failure to establish these controls could have enabled material misstatements or irregularities to remain undetected.
2. Monitoring of Controls: Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board had not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility placed the School Corporation at risk that controls may not have been designed or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Board has no process to identify or communicate corrective actions to improve controls.

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)

***FINDING 2013-002 - INTERNAL CONTROLS OVER PREPARATION OF THE SCHEDULE OF FEDERAL EXPENDITURES***

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: Grant expenditures reported at incorrect amounts; expenditures for state grants were reported as federal; expenditures for the Education Jobs Fund grant were not reported; expenditures were reported for ARRA - State Fiscal Stabilization and Educational Technology State Grants when there were no expenditures during the audit period; and negative expenditures were reported for Improving Teacher Quality State Grants for the 2012-2013 year. 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.

RUSH COUNTY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

RUSH COUNTY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**FINDING 2013-003 - INTERNAL CONTROLS OVER CASH MANAGEMENT AND REPORTING**

Federal Agency: U.S. Department of Education  
Federal Program: Education Jobs Fund  
CFDA Number: 84.410  
Federal Award Number and Year: 2010-2011  
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 Cash Management and Reporting compliance requirements that have a direct and material effect to the program. Reimbursement requests are prepared and submitted by one individual without evidence of a separate review. The failure to establish an effective internal control system places the School Corporation 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 program.

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.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

RUSH COUNTY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE - REPORTING***

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: 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 Reporting, that have a direct and material effect to the program. The NSLP Monthly Reimbursement Requests are prepared and submitted by one individual without evidence of a separate review. The failure to establish an effective internal control system places the School Corporation 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 programs.

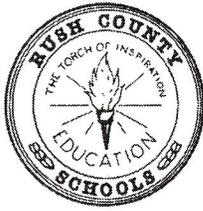
An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely 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.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.



# RUSH COUNTY SCHOOLS

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Dr. John E. Williams, Superintendent

## RUSH COUNTY SCHOOLS SUMMARY SCHEDULE FO PRIOR AUDIT FINDINGS

### Finding 2011-2, Child Nutrition Cluster Over Claiming Reimbursement

|                         |                   |
|-------------------------|-------------------|
| Fiscal Year             | 2011              |
| Auditee Contact Person  | Dr. John Williams |
| Title of Contact Person | Superintendent    |
| Phone Number            | 765-932-4186      |

#### Status of Finding

Rush County Schools' has continued to operate the corrective actions as approved by Marcia Yurczyk, National School Lunch Program Coordinator, on September 19, 2011.

Dr. John E. Williams  
Superintendent  
Rush County Schools  
January 28, 2014



# RUSH COUNTY SCHOOLS

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Dr. John E. Williams, Superintendent

February 12, 2014

State Board of Accounts  
Exit Conference  
School Corporation's Official Response  
Audit Period July 1, 2011 - June 30, 2013

The corporation would like to respond to the items cited in the exit conference on February 17, 2014.

## **Finding 2013-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

The Director of Finance who began on November 1, 2013 reviewed and implemented controls over the activities related to receipts and cash and investment balances, prior to the arrival of the auditors. All funds coming in to central office are logged by the Deputy Treasurer, deposited by the Bookkeeper and receipted in to the financial system by the Director of Finance. All payroll, accounts payable and bank transactions are created and reviewed in a similar manner. At the end of the month, the Director of Finance reconciles the bank statement and presents the month's transactions to the Superintendent for review and analysis. The Board of School Trustees also reviews and approves all payroll and accounts payable transactions via the claim docket at their monthly meeting. We understand that this control process was lacking during the audit period, but know that the steps taken since November 1, 2013 will address this deficiency.

## **Finding 2013-002 INTERNAL CONTROLS OVER PREPARATION OF THE SCHEDULE OF FEDERAL EXPENDITURES**

The Schedule of Expenditures of Federal Awards (SEFA) was completed, but did not properly track the reimbursement of funds and credit this to the proper reporting period. After review with the Auditor about the SEFA process the new Director of Finance is aware of the proper reporting procedure and will compile this report in a compliant manner during the next audit period. To ensure this, the Director of Finance will create and maintain ongoing spreadsheets that track not only when funds were expended at the Corporation level, but also when those funds were reimbursed. At the end of each reporting period, other members of the Bookkeeping Department will review this spreadsheet to complete the SEFA.

**Finding 2013-003 INTERNAL CONTROLS OVER CASH MANAGEMENT AND REPORTING**

Federal Agency: Department of Education  
Federal Program: Education Jobs Fund  
CFDA Number: 84.410  
Federal Award Number and Year: 2010-2011  
Pass Through Entity: Indiana Department of Education

The Corporation will formalize the current process of submitting reports and reimbursement requests by requiring a 2 signature review process for these submissions. This coupled with the segregation of duties outlined under Finding 2013-001 will remedy the issue.

**Finding 2013-004 INTERNAL CONTROL OVER COMPLIANCE – REPORTING**

Federal Agency: US Department Of Agriculture  
Federal Program: School Breakfast, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year: 2011-2012 and 2012-2013  
Pass Through Entity: Indiana Department of Education

The Corporation is in the process of centralizing the administration of the Food Service program. By doing this and using the controls and processes laid out in Finding 20013-001 and 2013-003 the issue will be remedied.



Dr. John E. Williams  
Superintendent  
Rush County Schools



Nathaniel D. Day  
Director of Finance  
Rush County Schools

RUSH COUNTY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2014, with Nathaniel D. Day, Treasurer; Dr. John E. Williams, Superintendent of Schools; Paul W. Barada, President of the School Board; John D. Wilson, Board member; and Matt Vance, Assistant Superintendent of Schools.