

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
RIPLEY COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
09/19/2014

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 Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	6-7
Financial Statement: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and 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 Cash and Investment Balances - Regulatory Basis.....	20-25
Schedule of Leases and Debt	26
Schedule of Capital Assets.....	27
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	30-32
Schedule of Expenditures of Federal Awards	34-35
Notes to Schedule of Expenditures of Federal Awards.....	36
Schedule of Findings and Questioned Costs	37-44
Auditee Prepared Schedule: Corrective Action Plan.....	45-48
Exit Conference.....	49

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lana M. Miller	07-01-11 to 06-30-15
Superintendent of Schools	Dr. John Mehrle Robert Moorhead	07-01-11 to 07-31-12 08-01-12 to 06-30-15
President of the School Board	Keith Mathews Tim Taylor	01-01-11 to 12-31-12 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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTH RIPLEY COMMUNITY
SCHOOL CORPORATION, RIPLEY COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 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 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

July 29, 2014



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

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 SOUTH RIPLEY COMMUNITY
SCHOOL CORPORATION, RIPLEY 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 South Ripley Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated July 29, 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

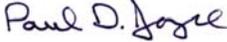
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 2013-001.

South Ripley Community School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

July 29, 2014

(This page intentionally left blank.)

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.

(This page intentionally left blank.)

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

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 2,015,082	\$ 8,711,775	\$ 8,403,029	\$ (300,000)	\$ 2,023,828	\$ 8,613,639	\$ 8,548,253	\$ 154	\$ 2,089,368
Debt Service	678,997	1,553,605	1,650,283	12,847	595,166	1,557,401	1,415,000	(8,552)	729,015
Capital Projects	635,316	779,730	771,938	6,381	649,489	873,471	743,222	-	779,738
School Transportation	712,781	1,049,607	693,596	8,411	1,077,203	901,252	730,254	(105,214)	1,142,987
School Bus Replacement	88,090	169,325	232,888	1,363	25,890	185,522	116,000	-	95,412
Rainy Day	335,954	-	65,870	300,000	570,084	-	100,697	130,812	600,199
Construction	421,893	-	-	-	421,893	-	-	-	421,893
School Lunch	108,744	736,546	724,392	700	121,598	693,055	742,576	-	72,077
Textbook Rental	13,394	115,602	101,724	-	27,272	104,804	119,033	8,552	21,595
Levy Excess	-	-	-	-	-	39,262	-	(25,598)	13,664
Educational License Plates	188	150	-	-	338	206	67	-	477
SAFE School Haven	-	15,191	22,782	-	(7,591)	20,327	19,500	-	(6,764)
Early Intervention Grant	-	13,230	9,230	-	4,000	8,633	12,633	-	-
Extra-Curricular Activities	11,682	5,669	-	-	17,351	7,645	-	-	24,996
Scholarships and Awards	-	13,365	600	-	12,765	1,475	1,000	-	13,240
Miscellaneous Programs	865	676	865	-	676	812	676	-	812
Boren Foundation IPAD Grant	-	-	-	-	-	7,200	6,580	-	620
Ripley County Substance Abuse	-	-	-	-	-	2,721	2,250	-	471
ECO15-Bio Med Supplies Grant	-	2,222	2,222	-	-	-	-	-	-
ECO15-Dream It Do It Grant	-	-	-	-	-	500	-	-	500
Rising Sun Foundation -Ohio ROD Softball	201	-	201	-	-	-	-	-	-
Medicaid Adm Claiming -PCG	-	-	-	-	-	9,717	-	-	9,717
School Technology	3,812	6,419	8,863	-	1,368	11,637	12,776	-	229
Miscellaneous Programs	2,867	8,838	11,808	-	(103)	5,868	4,072	-	1,693
Excess PTRC Distributions	29,002	-	-	(29,002)	-	-	-	-	-
Title I 2011-2012	-	189,236	207,397	-	(18,161)	36,814	18,653	-	-
Title I 2012-2013	-	-	-	-	-	207,489	230,013	-	(22,524)
Title I 2010-2011	(18,372)	38,064	19,692	-	-	-	-	-	-
Suppl Safe Drug Free Title IV-A	-	832	832	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II,	(10,130)	63,111	62,679	-	(9,698)	103,894	94,196	-	-
Title I - Grants to LEAs	185	-	185	-	-	-	-	-	-
Special Education - Part B	(1,763)	7,119	5,356	-	-	-	-	-	-
School Lunch Equipment	33,584	-	33,584	-	-	-	-	-	-
Education Jobs	-	228,979	228,979	-	-	47,996	47,996	-	-
Payroll Withholdings	-	3,158,935	3,158,935	-	-	3,318,770	3,318,770	-	-
Totals	\$ 5,062,372	\$ 16,868,226	\$ 16,417,930	\$ 700	\$ 5,513,368	\$ 16,760,110	\$ 16,284,217	\$ 154	\$ 5,989,415

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

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, co-operatives, 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.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

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

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

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

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

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

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

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other Financing Sources and Uses

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

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

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
1 North Capitol 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.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2013.

Note 8. Holding Corporations

The School Corporation has entered into a capital lease with the South Ripley Elementary School Holding Corporation (the lessor) and the South Ripley Community Multi-School Building Corporation (the lessor). The lessors were organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2012 and 2013 totaled \$1,650,283 and \$1,415,000, respectively.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. *Other Postemployment Benefits*

The School Corporation provides to eligible retirees and their spouses the following benefits: health insurance, vision insurance, dental insurance, and life insurance. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

(This page intentionally left blank.)

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.

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental	Educational License Plates
Cash and investments - beginning	\$ 2,015,082	\$ 678,997	\$ 635,316	\$ 712,781	\$ 88,090	\$ 335,954	\$ 421,893	\$ 108,744	\$ 13,394	\$ 188
Receipts:										
Local sources	104,172	1,553,605	779,730	1,049,561	169,325	-	-	341,454	66,998	-
Intermediate sources	3,227	-	-	-	-	-	-	-	-	150
State sources	8,019,207	-	-	-	-	-	-	6,605	48,604	-
Federal sources	51,452	-	-	-	-	-	-	388,487	-	-
Other	533,717	-	-	46	-	-	-	-	-	-
Total receipts	8,711,775	1,553,605	779,730	1,049,607	169,325	-	-	736,546	115,602	150
Disbursements:										
Current:										
Instruction	5,837,031	-	-	-	-	65,870	-	-	10,114	-
Support services	2,449,177	-	560,482	693,596	232,888	-	-	24,339	91,610	-
Noninstructional services	115,586	-	-	-	-	-	-	660,540	-	-
Facilities acquisition and construction	275	-	211,456	-	-	-	-	39,513	-	-
Debt services	960	1,650,283	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	8,403,029	1,650,283	771,938	693,596	232,888	65,870	-	724,392	101,724	-
Excess (deficiency) of receipts over disbursements	308,746	(96,678)	7,792	356,011	(63,563)	(65,870)	-	12,154	13,878	150
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	700	-	-
Transfers in	-	12,847	6,381	8,411	1,363	300,000	-	-	-	-
Transfers out	(300,000)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(300,000)	12,847	6,381	8,411	1,363	300,000	-	700	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,746	(83,831)	14,173	364,422	(62,200)	234,130	-	12,854	13,878	150
Cash and investments - ending	\$ 2,023,828	\$ 595,166	\$ 649,489	\$ 1,077,203	\$ 25,890	\$ 570,084	\$ 421,893	\$ 121,598	\$ 27,272	\$ 338

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

	SAFE School Haven	Early Intervention Grant	Extra- Curricular Activities	Scholarships and Awards	Miscellaneous Programs	ECO 15-Bio Med Supplies Grant	Rising Sun Foundation - Ohio ROD Softball	School Technology	Miscellaneous Programs	Excess PTRC Distributions
Cash and investments - beginning	\$ -	\$ -	\$ 11,682	\$ -	\$ 865	\$ -	\$ 201	\$ 3,812	\$ 2,867	\$ 29,002
Receipts:										
Local sources	-	-	5,669	13,365	-	-	-	6,419	-	-
Intermediate sources	-	-	-	-	676	2,222	-	-	-	-
State sources	15,191	13,230	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	8,838	-
Total receipts	15,191	13,230	5,669	13,365	676	2,222	-	6,419	8,838	-
Disbursements:										
Current:										
Instruction	-	5,730	-	-	-	2,222	-	8,863	-	-
Support services	22,782	3,500	-	-	865	-	201	-	11,808	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	600	-	-	-	-	-	-
Total disbursements	22,782	9,230	-	600	865	2,222	201	8,863	11,808	-
Excess (deficiency) of receipts over disbursements	(7,591)	4,000	5,669	12,765	(189)	-	(201)	(2,444)	(2,970)	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	(29,002)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	(29,002)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,591)	4,000	5,669	12,765	(189)	-	(201)	(2,444)	(2,970)	(29,002)
Cash and investments - ending	\$ (7,591)	\$ 4,000	\$ 17,351	\$ 12,765	\$ 676	\$ -	\$ -	\$ 1,368	\$ (103)	\$ -

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

	Title I 2011-2012	Title I 2010-2011	Suppl Safe Drug Free Title IV-A	Improving Teaching Quality, No Child Left, Title II, Part A	Title I Grants to LEAs	Special Education Part B	School Lunch Equipment	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (18,372)	\$ -	\$ (10,130)	\$ 185	\$ (1,763)	\$ 33,584	\$ -	\$ -	\$ 5,062,372
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	4,090,298
Intermediate sources	-	-	-	-	-	-	-	-	-	6,275
State sources	-	-	-	-	-	-	-	-	-	8,102,837
Federal sources	189,236	38,064	832	63,111	-	-	-	228,979	-	960,161
Other	-	-	-	-	-	7,119	-	-	3,158,935	3,708,655
Total receipts	189,236	38,064	832	63,111	-	7,119	-	228,979	3,158,935	16,868,226
Disbursements:										
Current:										
Instruction	204,457	18,608	832	62,679	185	5,356	-	228,979	-	6,450,926
Support services	-	-	-	-	-	-	-	-	-	4,091,248
Noninstructional services	2,940	1,084	-	-	-	-	-	-	-	780,150
Facilities acquisition and construction	-	-	-	-	-	-	33,584	-	-	284,828
Debt services	-	-	-	-	-	-	-	-	-	1,651,243
Nonprogrammed charges	-	-	-	-	-	-	-	-	3,158,935	3,159,535
Total disbursements	207,397	19,692	832	62,679	185	5,356	33,584	228,979	3,158,935	16,417,930
Excess (deficiency) of receipts over disbursements	(18,161)	18,372	-	432	(185)	1,763	(33,584)	-	-	450,296
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	700
Transfers in	-	-	-	-	-	-	-	-	-	329,002
Transfers out	-	-	-	-	-	-	-	-	-	(329,002)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	700
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,161)	18,372	-	432	(185)	1,763	(33,584)	-	-	450,996
Cash and investments - ending	\$ (18,161)	\$ -	\$ -	\$ (9,698)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,513,368

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 2,023,828	\$ 595,166	\$ 649,489	\$ 1,077,203	\$ 25,890	\$ 570,084	\$ 421,893	\$ 121,598	\$ 27,272	\$ -
Receipts:										
Local sources	74,021	1,557,401	873,471	900,870	185,522	-	-	333,126	59,870	39,262
Intermediate sources	11	-	-	-	-	-	-	-	-	-
State sources	7,683,370	-	-	-	-	-	-	5,785	44,934	-
Federal sources	271,957	-	-	-	-	-	-	354,144	-	-
Other	584,280	-	-	382	-	-	-	-	-	-
Total receipts	8,613,639	1,557,401	873,471	901,252	185,522	-	-	693,055	104,804	39,262
Disbursements:										
Current:										
Instruction	5,940,399	-	-	-	-	95,699	-	-	9,899	-
Support services	2,490,332	-	614,041	730,254	116,000	4,998	-	27,612	109,134	-
Noninstructional services	116,103	-	-	-	-	-	-	661,816	-	-
Facilities acquisition and construction	330	-	129,181	-	-	-	-	53,148	-	-
Debt services	1,089	1,415,000	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	8,548,253	1,415,000	743,222	730,254	116,000	100,697	-	742,576	119,033	-
Excess (deficiency) of receipts over disbursements	65,386	142,401	130,249	170,998	69,522	(100,697)	-	(49,521)	(14,229)	39,262
Other financing sources (uses):										
Sale of capital assets	154	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	25,598	-	130,812	-	-	8,552	-
Transfers out	-	(8,552)	-	(130,812)	-	-	-	-	-	(25,598)
Total other financing sources (uses)	154	(8,552)	-	(105,214)	-	130,812	-	-	8,552	(25,598)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	65,540	133,849	130,249	65,784	69,522	30,115	-	(49,521)	(5,677)	13,664
Cash and investments - ending	\$ 2,089,368	\$ 729,015	\$ 779,738	\$ 1,142,987	\$ 95,412	\$ 600,199	\$ 421,893	\$ 72,077	\$ 21,595	\$ 13,664

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

	Educational License Plates	SAFE School Haven	Early Intervention Grant	Extra- Curricular Activities	Scholarships and Awards	Miscellaneous Programs	Boren Foundation IPAD Grant	Ripley County Substance Abuse	ECO 15 Dream It Do It Grant
Cash and investments - beginning	\$ 338	\$ (7,591)	\$ 4,000	\$ 17,351	\$ 12,765	\$ 676	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	7,645	1,475	-	-	2,721	-
Intermediate sources	206	-	-	-	-	812	7,200	-	500
State sources	-	20,327	8,633	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	206	20,327	8,633	7,645	1,475	812	7,200	2,721	500
Disbursements:									
Current:									
Instruction	-	-	7,528	-	-	-	6,580	2,250	-
Support services	67	19,500	5,105	-	-	676	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	1,000	-	-	-	-
Total disbursements	67	19,500	12,633	-	1,000	676	6,580	2,250	-
Excess (deficiency) of receipts over disbursements	139	827	(4,000)	7,645	475	136	620	471	500
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	139	827	(4,000)	7,645	475	136	620	471	500
Cash and investments - ending	\$ 477	\$ (6,764)	\$ -	\$ 24,996	\$ 13,240	\$ 812	\$ 620	\$ 471	\$ 500

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

	Medicaid Adm Claiming - PCG	School Technology	Miscellaneous Programs	Title I 2011-2012	Title I 2012-2013	Improving Teaching Quality, No Child Left, Title II, Part A	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ 1,368	\$ (103)	\$ (18,161)	\$ -	\$ (9,698)	\$ -	\$ -	\$ 5,513,368
Receipts:									
Local sources	-	11,637	-	-	-	-	-	-	4,047,021
Intermediate sources	-	-	-	-	-	-	-	-	8,729
State sources	-	-	-	-	-	-	-	-	7,763,049
Federal sources	-	-	-	36,814	207,489	103,894	47,996	-	1,022,294
Other	9,717	-	5,868	-	-	-	-	3,318,770	3,919,017
Total receipts	9,717	11,637	5,868	36,814	207,489	103,894	47,996	3,318,770	16,760,110
Disbursements:									
Current:									
Instruction	-	12,776	-	18,423	227,753	94,196	47,996	-	6,463,499
Support services	-	-	4,072	-	1,476	-	-	-	4,123,267
Noninstructional services	-	-	-	230	784	-	-	-	778,933
Facilities acquisition and construction	-	-	-	-	-	-	-	-	182,659
Debt services	-	-	-	-	-	-	-	-	1,416,089
Nonprogrammed charges	-	-	-	-	-	-	-	3,318,770	3,319,770
Total disbursements	-	12,776	4,072	18,653	230,013	94,196	47,996	3,318,770	16,284,217
Excess (deficiency) of receipts over disbursements	9,717	(1,139)	1,796	18,161	(22,524)	9,698	-	-	475,893
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	154
Transfers in	-	-	-	-	-	-	-	-	164,962
Transfers out	-	-	-	-	-	-	-	-	(164,962)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	154
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,717	(1,139)	1,796	18,161	(22,524)	9,698	-	-	476,047
Cash and investments - ending	\$ 9,717	\$ 229	\$ 1,693	\$ -	\$ (22,524)	\$ -	\$ -	\$ -	\$ 5,989,415

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2013

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: Capital Lease	Construction of Multi-Purpose facility	<u>\$ 16,280,000</u>	<u>\$ 1,540,000</u>

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
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.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 264,000
Buildings	28,930,000
Improvements other than buildings	793,788
Machinery, equipment, and vehicles	<u>2,270,017</u>
Total capital assets	<u>\$ 32,257,805</u>

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE SOUTH RIPLEY COMMUNITY
SCHOOL CORPORATION, RIPLEY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A - 133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

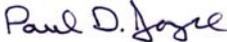
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses 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, 2013-004, and 2013-006 to be material weaknesses.

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

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

July 29, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Child Nutrition Cluster					
School Breakfast Program					
FY12	Indiana Department of Education	10.553	12-6865	\$ 104,124	\$ -
FY13			13-6865	-	89,112
Total for program				<u>104,124</u>	<u>89,112</u>
National School Lunch Program					
FY12	Indiana Department of Education	10.555	12-6865	355,895	-
FY13			13-6865	-	324,998
Total for program				<u>355,895</u>	<u>324,998</u>
Total for cluster				<u>460,019</u>	<u>414,110</u>
Child Nutrition Discretionary Grants Limited Availability					
National School Lunch Program Equipment Assistance					
	Indiana Department of Education	10.579	FY2010	33,584	-
Total for federal grantor agency				<u>493,603</u>	<u>414,110</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies					
FY11	Indiana Department of Education	84.010	11-6865	38,064	-
FY12			12-6865	189,236	36,814
FY13			13-6865	-	207,489
Total for program				<u>227,300</u>	<u>244,303</u>
ARRA Title 1 Grants to Local Educational Agencies, Recovery Act					
FY11	Indiana Department of Education	84.389	11-6865	185	-
Total for cluster				<u>227,485</u>	<u>244,303</u>
Special Education Cluster (IDEA)					
Special Education_Grants to States					
FY12	Indiana Department of Education	84.027	12-6865	179,393	-
FY13			13-6865	-	272,297
Total for program				<u>179,393</u>	<u>272,297</u>

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

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2012 and 2013
 (Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>					
Special Education Cluster (IDEA) (continued)					
ARRA Special Education - Grants to States, Recovery Act FY11	Indiana Department of Education	84.391	11-6865	<u>36,979</u>	<u>-</u>
Total for cluster				<u>216,372</u>	<u>272,297</u>
Impact Aid Cluster					
Impact Aid	Direct Grant	84.041			
			FY2008	-	829
			FY2009	51,452	-
			FY2010	-	67,782
			FY2011	-	67,782
			FY2012	-	67,782
			FY2013	-	<u>67,782</u>
Total for cluster				<u>51,452</u>	<u>271,957</u>
Safe and Drug-Free Schools and Communities_State Grants FY12	Indiana Department of Education	84.186	12-6865	<u>832</u>	<u>-</u>
Improving Teacher Quality State Grants FY10 FY11 FY12	Indiana Department of Education	84.367	10-6865 11-6865 12-6865	24,321 38,791 -	- 32,590 <u>71,304</u>
Total for program				<u>63,112</u>	<u>103,894</u>
Education Jobs Fund FY12	Indiana Department of Education	84.410	12-6865	<u>228,979</u>	<u>47,996</u>
Total for federal grantor agency				<u>788,232</u>	<u>940,447</u>
Total federal awards expended				<u>\$ 1,281,835</u>	<u>\$ 1,354,557</u>

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

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

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

Note 2. Noncash Assistance

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

Program Title	Federal CFDA Number	2012	2013
School Breakfast Program	10.553	\$ 16,191	\$ 12,904
National School Lunch Program	10.555	55,341	47,062

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.410	Title I, Part A Cluster Special Education Cluster (IDEA) Impact Aid Cluster Education Jobs Fund

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 THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the audit of the SEFA, we noted expenditures for three Special Education grants totaling \$481,500 were not on the SEFA.

We believe the deficiencies discussed above constitute a material weakness. The errors and omissions on the SEFA were partially caused by lack of sufficient internal controls over the preparation of the SEFA and due to insufficient familiarity with some of the required elements of the SEFA. Audit adjustments were necessary to accurately reflect the federal grant activity of the School Corporation. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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

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

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

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

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

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

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

***FINDING 2013-002 - INTERNAL CONTROLS OVER
FINANCIAL TRANSACTIONS AND REPORTING***

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

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 has not separated incompatible activities related to cash receipts. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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)

Section III - Federal Award Findings and Questioned Costs

***FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A
DIRECT AND MATERIAL EFFECT TO TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES AND
ARRA TITLE I GRANTS TO LOCAL EDUCATION AGENCIES, RECOVERY ACT***

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies and ARRA Title I Grants to Local Educational Agencies, Recovery Act
CFDA Number: 84.010, 84.389
Federal Award Number and Year (or Other Identifying Number): 11-6865, 12-6865, 13-6865
Pass-Through Entity: Indiana Department of Education

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 several of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Cash Management; Period of Availability; Level of Effort; Eligibility; Reporting; and Special Test and Provisions. 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 grant.

Cash Management and Period of Availability

The School Corporation has not designed or implemented policies and procedures for submitting reimbursement requests. There was no evidence presented that a review of the reimbursement request by someone other than the preparer was made prior to submission. The School Corporation has not implemented adequate review procedures to ensure that the School Corporation is in compliance with Cash Management and Period of Availability requirements.

Level of Effort

The School Corporation has not designed or implemented procedures for monitoring compliance with Level of Effort requirements. There was no evidence presented that someone at the School Corporation was monitoring these requirements. The School Corporation has not implemented adequate review procedures to ensure that the School Corporation is in compliance with Level of Effort requirements.

Eligibility

The School Corporation has not designed or implemented procedures for preparing and submitting grant applications. There was no evidence presented that a review of the grant applications by someone other than the person preparing the application was made prior to submission of the application. The School Corporation had not implemented adequate review procedures to ensure that the School Corporation is in compliance with Eligibility requirements.

Reporting

The School Corporation has not designed or implemented procedures for preparing and submitting reports. There was no evidence presented that a review of the reports by someone other than the person preparing the reports was being made prior to submission of the reports. The School Corporation had not implemented adequate review procedures to ensure that the School Corporation is in compliance with Reporting requirements.

Special Tests and Provisions - ARRA

The School Corporation did not have controls in place to ensure that Title I ARRA funds were properly identified on the Schedule of Expenditures of Federal Awards (SEFA) as required under the Special Test and Provisions compliance requirement. There was no evidence presented that a review of the SEFA prior to submission was being made by someone other than the person preparing the SEFA. The School Corporation had not implemented adequate review procedures to ensure that the School Corporation is in compliance with the Special Tests and Provisions requirements for ARRA funds.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 compliance requirements that have a direct and material effect to the program.

FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO EDUCATION JOBS FUND

Federal Agency: Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Number and Year (or Other Identifying Number): 12-6865
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 the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability; and Reporting. 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 grant.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

There was no evidence presented that payroll expenditures posted to the grant fund were reviewed by someone other than the person posting the payroll transactions. The School Corporation had not implemented segregation of duties or verification process to ensure that the payroll expenditures were in compliance with the Activities Allowed or Unallowed and Allowable Cost/Cost Principles requirements.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash Management, Period of Availability, and Reporting

The grant funding reimbursement requests were prepared and submitted by one person without another person reviewing the reimbursement request reports. Without a second person to assist, verify, or monitor the accurate and timely preparation of the reimbursement request reports noncompliance with Cash Management, Period of Availability, and Reporting requirements may have gone undetected.

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 compliance requirements that have a direct and material effect to the program.

FINDING 2013-005 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Education
Federal Program: ARRA Special Education - Grants to States, Recovery Act
CFDA Number: 84.391
Federal Award Number and Year (or Other Identifying Number): 11-6865
Pass-Through Entity: Indiana Department of Education

The School Corporation received American Reinvestment and Recovery Act (ARRA) awards through the Special Education - Grants to States, Recovery Act program. An ARRA transparency requirement was to provide separate identification of funding in the accounting records for ARRA awards and activities. The School Corporation maintained the ARRA awards separately, but mistakenly commingled \$29,860 of the ARRA award with other School Corporation receipts and expenditures. The \$29,860 was not reported as ARRA expenditures on the SEFA. An audit adjustment was proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 80.20(b)(2) states in part:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations . . ."

2 CFR 176.210 states in part:

"The award term described in this section shall be used by agencies to clarify recipient responsibilities regarding tracking and documenting Recovery Act expenditures: . . .

(b) For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, . . . recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA). . . . This shall be accomplished by identifying expenditures for Federal award made under the Recovery Act separately on the SEFA, . . ."

As noted in Finding 2013-006, the School Corporation did not have controls in place to reduce the risks of noncompliance with special tests and provisions.

Noncompliance of 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 ensure proper recording and reporting of ARRA awards.

FINDING 2013-006 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO SPECIAL EDUCATION - GRANTS TO STATES AND ARRA SPECIAL EDUCATION - GRANTS TO STATES, RECOVERY ACT

Federal Agency: Department of Education

Federal Program: Special Education - Grants to States and ARRA Special
Education - Grants to States, Recovery Act

CFDA Number: 84.027, 84.391

Federal Award Number and Year (or Other Identifying Number): 12-6865, 13-6865, 11-6865

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 all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Level of Effort; Period of Availability, Reporting; and Special Tests and Provisions. 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 grant.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Activities Allowed or Unallowed, Allowable Costs/Costs Principles, Cash Management, Level of Effort, Period of Availability, Reporting

The School Corporation designated a fiscal agent to receive and manage their grant fund allocations; however, the School Corporation did not establish an internal control system, including segregation of duties, that would provide adequate oversight procedures of the fiscal agent to ensure compliance with these requirements.

Special Tests and Provisions - ARRA

The School Corporation did not have controls in place to ensure that ARRA Special Education funds were accounted for separately or listed on the Schedule of Expenditures of Federal Awards (SEFA) as required under the Special Test and Provisions compliance requirement. There was no evidence presented that a review of the SEFA prior to submission was being made by someone other than the person preparing the SEFA. The School Corporation had not implemented adequate review procedures to ensure that the School Corporation was in compliance with the Special Tests and Provisions requirements for ARRA funds.

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.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION

P.O. BOX 690 -207 WEST TYSON STREET
VERSAILLES, INDIANA 47042
(812) 689-6282, FAX 812/689-6760

FINDING 2013-001 – Internal Controls Over the Preparation of the Schedule of Expenditures of Federal Awards

Contact Person: Lana Miller
Title: Business Manager/Treasurer
Phone Number: 812-689-6282

This finding is a result of the Ripley-Ohio-Dearborn Special Education Cooperative change in legal structure and/or a change in the audit program. Lana Miller, Business Manager/Treasurer of South Ripley Community Schools, received exactly to the penny the amount she billed to the Ripley Ohio Dearborn Special Education Cooperative for approved staff and grant supply and equipment expenditures. Lana Miller possesses no knowledge of the Ripley Ohio Dearborn Special Education Cooperatives finances, or grants that they hold and possess on their financial books. Business Manager/Treasurer Lana Miller could not report on the Schedule of Expenditures of Federal Awards (SEFA) federal grants that were used by the Ripley Ohio Dearborn Special Education Cooperative to reimburse South Ripley for approved expenses, as she was not aware or informed of what funds they possess or use for reimbursement. When the participating schools receive a check from another entity, the funds used and/or grants expended are not disclosed. South Ripley believes this was not a lack of internal controls, as Lana Miller possesses no internal control over the Ripley-Ohio-Dearborn Special Education financial books and grants used for reimbursement, and all funds received by Business Manager Lana Miller were receipted accurately as billed to the Ripley Ohio Dearborn Special Education Cooperative.

South Ripley Superintendent Robert Moorhead will discuss this finding with the Board of the Ripley Ohio Dearborn Special Education Cooperative requesting that all grant funds be reported to the participating schools so they can place this on the Schedule of Expenditures of Federal Awards. Completion Date: 2013-2015 Audit.

FINDING 2013-002 – Internal Controls Over Financial Transactions and Reporting

Contact Person: Lana Miller
Title: Business Manager/Treasurer
Phone Number: 812-689-6282

South Ripley School Corporation is a small school and operates efficiently with a Superintendent and two staff members in the Central Office. South Ripley received a finding in the last audit regarding Segregation of Duties and responded that the governance had determined the cost of employing additional staff to provide segregation of duties would outweigh the benefits of stronger internal control structure. The Auditor at that time recommended that the Deputy Treasurer review and approve the monthly bank statements prepared by the Business Manager/Treasurer. In addition, job duties were reviewed so that the Treasurer and Deputy Treasurer both share in payroll and claims functions. Additionally, a staff member from the Elementary Cafeteria assists with vendor bills for three days a month. South Ripley feels job duties are divided and internal controls are present along with cash and all other assets being properly safeguarded. While we feel that controls are proper and present, the Auditor recommended that a second person actually sign off on monthly reports for reimbursement, along with a second signature on receipts. South Ripley will comply immediately with this recommendation of a second person reviewing and signing off on receipts and grant reimbursement filings. Completion Date: Immediately May 2014.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION

P.O. BOX 690 -207 WEST TYSON STREET
VERSAILLES, INDIANA 47042
(812) 689-6282, FAX 812/689-6760

FINDING 2013-003 – Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to Title I Grants to Local Educational Agencies and ARRA Title I Grants to Local Educational Agencies, Recovery Act

Contact Person: Lana Miller
Title: Business Manager/Treasurer
Phone Number: 812-689-6282

The South Ripley Elementary School Assistant Principal Amy Linkel holds the job title of Title 1 Director. Mrs. Linkel requests and receives payroll data from Business Manager/Treasurer Lana Miller in the grant preparation period. They both work together in handling the grant expenditures of the Title 1 grant. The Superintendent approves all staff to be expended from the Title 1 grant. The same staff has been expended from the grant for many years, and this rarely changes. The Title 1 Director submits the grant application online as required by the Indiana Department of Education. The Payroll Clerk/Deputy Treasurer enters in payroll distributions in the payroll file for the correct staff to be expended from the grant. The Business Manager/Treasurer pays the payroll taxes and follows the grant throughout the year for financial compliance. The Title 1 Director attends the Title 1 state meetings and assures levels of effort and compliance along with completing all purchase orders for supplies and equipment. The Title 1 Director also plans the Title 1 Family Fun nights. Segregation of duties is evident in all aspects of the Title 1 grant from grant writing through expenditure. The Auditor suggested that an additional person review the report that the Business Manager/Treasurer submits online for monthly reimbursement. Although the Treasurer has documented every expenditure and run reports enclosed in the file for every claim for reimbursement, this recommendation will be followed immediately. Completion Date: May 2014. It is important to note that the Indiana Department of Education as of June 2014 has made provisions in their online system for a second person to approve the submitted online monthly reimbursement. It would seem that the Indiana Department of Education would have implemented this long ago if it were a compliance requirement, thus eliminating the need for this FINDING 2013-003.

FINDING 2013-004 – Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to Education Jobs Fund

Contact Person: Lana Miller
Title: Business Manager/Treasurer
Phone Number: 812-689-6282

South Ripley Community School Corporation used the Education Jobs Fund federal monies to maintain certified staff instead of hiring additional staff for one year which would have resulted in layoffs after the grant funds was expended. The grant folder of the Business Manager/Treasurer possessed paperwork showing the allowable activities and grant guidelines. South Ripley simply expended the grant funds for the Elementary, Junior High and High School certified teachers for specific payrolls until the grant funds were depleted. All ARRA reports were filed online as required by the Indiana Department of Education. Although the Business Manager/Treasurer had documented every expenditure by payroll date and person, the Auditor recommended that an additional person review and sign off on the monthly reimbursement requests. The Education Jobs Fund was only available for a short period of time, and that period has passed. For future compliance, South Ripley will have all monthly requests for reimbursement reviewed and signed off by a second employee. Completion Date: Immediately May 2014. It is important to note that the Indiana Department of Education as of June 2014 has made provisions in their monthly reimbursement requests, requiring an additional employee signature and review. It would seem that the Indiana Department of Education would have implemented this long ago if it were a compliance requirement, thus eliminating the need for this FINDING 2013-004.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION

P.O. BOX 690 -207 WEST TYSON STREET
VERSAILLES, INDIANA 47042
(812) 689-6282, FAX 812/689-6760

FINDING 2013-005 – Special Tests and Provisions

Contact Person: Lana Miller
Title: Business Manager/Treasurer
Phone Number: 812-689-6282

South Ripley Community School Corporation was notified in writing by the Ripley-Ohio-Dearborn Special Education Cooperative of its share of ARRA Special Education monies in the amount of \$75,826.83. A budget was prepared and approved by Cheryl Corning, Director of the Ripley-Ohio-Dearborn Special Education Cooperative. South Ripley Business Manager/Treasurer and Special Education Coordinators followed the approved budget and fully expended the grant in the amount of \$75,826.83 using the assigned Fund Number 7953. All monies were billed to the Ripley-Ohio-Dearborn Special Cooperative on a separate billing noting this was ARRA Fund Number 7953 expenditures. The Ripley-Ohio-Dearborn Special Education Cooperative used some ARRA Fund Number 7953 funds for reimbursement, but also used some other funds for reimbursement to South Ripley. As stated in Finding 2013-001, South Ripley Business Manager/Treasurer does not have knowledge or internal controls over another governmental entity's financial books. When South Ripley ordered, received, paid, and then billed for the correct amount according to grant guidelines, then South Ripley has correctly administered everything it can control. South Ripley has no knowledge of the fund that another entity is using when that entity issues a check.

This FINDING 2013-005 states: "The School Corporation maintained the ARRA awards separately, but mistakenly commingled \$29,860 of the ARRA award with other School Corporation receipts and expenditures. \$29,860 was not reported as ARRA expenditures on the SEFA. An audit adjustment was proposed, accepted by the School Corporation, and made to the SEFA presented in this report." South Ripley adamantly maintains there was no mistake made on the part of South Ripley in commingling funds of \$29,860. The Ripley Ohio Dearborn Special Education Cooperative clearly used federal monies unknown and unreported to South Ripley to fully expend grant funds on their books. South Ripley accepted the proposed addition to its SEFA only after much discussion and explanation to the Auditor. It became clear after many discussions with the Auditor, that since the Ripley Ohio Dearborn Special Education Cooperative used these federal funds to clear their books in payments to South Ripley, then it should be reported on South Ripley's SEFA. There was never any acceptance by South Ripley that commingling of funds occurred. South Ripley maintains this was an error on the part of the Special Education Cooperative in clearing their books of federal funds to meet their expenditure timelines, unknown and unreported to South Ripley or other participating schools.

South Ripley Superintendent Robert Moorhead has discussed this finding with the Board of the Ripley Ohio Dearborn Special Education Cooperative requesting that all grant funds used in reimbursing the participating schools be reported so they can be placed on the Schedule of Expenditures of Federal Awards. In addition, a second employee will review and sign off on all monthly requests for reimbursement. Completion Date: 2013-2015 Audit.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION

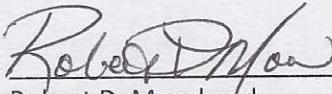
P.O. BOX 690 -207 WEST TYSON STREET
VERSAILLES, INDIANA 47042
(812) 689-6282, FAX 812/689-6760

FINDING 2013-006 – Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to Special Education-Grants to States and ARRA Special Education-Grants to States, Recovery Act

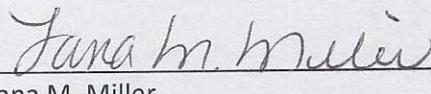
Contact Person: Lana Miller
Title: Business Manager/Treasurer
Phone Number: 812-689-6282

This finding is also in the Special Education grant area and closely relates to Finding 2013-005. South Ripley received reimbursement for approved teaching and aide positions expended within the General Fund. When reimbursed, South Ripley receipts the reimbursement back into the General Fund. This has been handled the same way for the 19 years that Lana Miller has been Treasurer/Business Manager of South Ripley School Corporation. The Ripley Ohio Dearborn Special Education Cooperative is apparently using its federal funds received on behalf of South Ripley to reimburse for South Ripley staff. South Ripley had no knowledge of the funds the Ripley Ohio Dearborn Special Education Cooperative used in their monthly reimbursement until the Auditor requested this information.

South Ripley Superintendent Robert Moorhead has discussed this finding with the Board of the Ripley Ohio Dearborn Special Education Cooperative requesting that all grant funds used in reimbursing the participating schools be reported so they can be placed on the Schedule of Expenditures of Federal Awards. In addition, a second employee will review and sign off on all monthly requests for reimbursement. Completion Date: 2013-2015 Audit.



Robert D. Moorhead
Superintendent of Schools



Lana M. Miller
Business Manager/Treasurer

Date: 7/29/2014

Date: 7/29/2014

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on July 29, 2014, with Robert Moorhead, Superintendent of Schools; Lana M. Miller, Treasurer; and Tim Taylor, President of the School Board.