

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CASTON SCHOOL CORPORATION
FULTON COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
03/11/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Denise Chandler Angela Chapman	07-01-12 to 01-13-14 01-14-14 to 06-30-15
Superintendent of Schools	Danny L. Foster Iran Floyd (Interim) Lucinda Douglass (Interim) Lucinda Douglass	07-01-12 to 08-23-13 08-24-13 to 11-19-13 11-20-13 to 06-30-14 07-01-14 to 06-30-15
President of the School Board	Dr. James Ayers Jason Herd Bruce Cress	07-01-12 to 12-31-12 01-01-13 to 12-31-14 01-01-15 to 12-31-15



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CASTON SCHOOL CORPORATION, FULTON COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Caston School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, 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, 2012 to June 30, 2014.

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, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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.

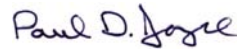
Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 17, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is February 17, 2016, 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.


Paul D. Joyce, CPA
State Examiner

February 17, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is February 17, 2016



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

TO: THE OFFICIALS OF THE CASTON SCHOOL CORPORATION, FULTON 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 Caston School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated February 17, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is February 17, 2016, 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 2014-001 and 2014-002 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 2014-001.

Caston School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

February 17, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is February 17, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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CASTON SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 2,877,416	\$ 4,848,472	\$ 4,715,415	\$ (32,881)	\$ 2,977,592	\$ 4,792,722	\$ 4,542,003	\$ 187	\$ 3,228,498
Debt Service	86,694	250,376	289,998	-	47,072	374,513	298,776	-	122,809
Capital Projects	544,388	659,518	800,035	167	404,038	575,566	691,621	-	287,983
School Transportation	1,284,476	249,045	459,226	(12,000)	1,062,295	588,226	495,591	(22,500)	1,132,430
School Bus Replacement	232,420	123,534	165,506	-	190,448	135,815	169,986	-	156,277
Rainy Day	710,926	-	84,035	76,755	703,646	-	-	22,500	726,146
School Lunch	27,436	344,517	337,964	-	33,989	354,050	298,888	-	89,151
Textbook Rental	3,051	133,072	105,355	-	30,768	148,551	109,903	-	69,416
SAFE School Haven	1,236	-	-	-	1,236	-	-	-	1,236
Promotion of School Corp	622	-	484	-	138	-	-	-	138
High Ability - Gifted & Talented	5,688	27,621	20,926	-	12,383	26,960	35,960	-	3,383
Medicaid Reimbursement	251	-	-	-	251	56	-	-	307
School Technology	24,431	11,897	1,070	-	35,258	11,813	1,010	-	46,061
Youth Health Service	-	-	-	-	-	150	-	-	150
ISTA Lawsuit	-	-	-	-	-	489,226	183,008	-	306,218
Excess PTRC Distributions	7,318	-	-	-	7,318	-	-	-	7,318
Title I - Grants to LEAs	(585)	271,200	284,802	-	(14,187)	278,215	284,103	-	(20,075)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	(7,183)	70,000	132,053	-	(69,236)	69,937	701	-	-
Safe/Drug-Free Schools	566	-	-	-	566	1,935	1,790	-	711
Improving Teaching Quality, No Child Left, Title II, Part A	-	31,798	-	(31,798)	-	27,643	27,643	-	-
Rural Schools and Low Income Program - Pass Through State	-	-	-	-	-	14,755	14,755	-	-
Education Jobs	-	132,003	132,003	-	-	-	-	-	-
Payroll Withholdings	(367)	1,421,775	1,421,583	-	(175)	1,340,925	1,340,783	-	(33)
Totals	\$ 5,798,784	\$ 8,574,828	\$ 8,950,455	\$ 243	\$ 5,423,400	\$ 9,231,058	\$ 8,496,521	\$ 187	\$ 6,158,124

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

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

CASTON 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.

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.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

CASTON 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

OTHER INFORMATION - UNAUDITED

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. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

CASTON 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	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,877,416	\$ 86,694	\$ 544,388	\$ 1,284,476	\$ 232,420	\$ 710,926	\$ 27,436	\$ 3,051
Receipts:								
Local sources	100,207	250,376	636,037	249,045	123,534	-	179,381	95,350
Intermediate sources	173	-	-	-	-	-	-	-
State sources	4,745,284	-	15,419	-	-	-	4,820	37,722
Federal sources	-	-	-	-	-	-	160,316	-
Other	2,808	-	8,062	-	-	-	-	-
Total receipts	4,848,472	250,376	659,518	249,045	123,534	-	344,517	133,072
Disbursements:								
Current:								
Instruction	2,978,184	-	-	-	-	74,057	-	-
Support services	1,640,380	-	130,459	459,226	165,506	9,978	-	105,355
Noninstructional services	96,851	-	-	-	-	-	337,964	-
Facilities acquisition and construction	-	-	669,576	-	-	-	-	-
Debt services	-	289,998	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	4,715,415	289,998	800,035	459,226	165,506	84,035	337,964	105,355
Excess (deficiency) of receipts over disbursements	133,057	(39,622)	(140,517)	(210,181)	(41,972)	(84,035)	6,553	27,717
Other financing sources (uses):								
Sale of capital assets	76	-	167	-	-	-	-	-
Transfers in	31,798	-	-	-	-	76,755	-	-
Transfers out	(64,755)	-	-	(12,000)	-	-	-	-
Total other financing sources (uses)	(32,881)	-	167	(12,000)	-	76,755	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	100,176	(39,622)	(140,350)	(222,181)	(41,972)	(7,280)	6,553	27,717
Cash and investments - ending	\$ 2,977,592	\$ 47,072	\$ 404,038	\$ 1,062,295	\$ 190,448	\$ 703,646	\$ 33,989	\$ 30,768

CASTON 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)

	SAFE School Haven	Promotion of School Corp	High Ability Gifted & Talented	Medicaid Reimbursement	School Technology	Youth Health Service	ISTA Lawsuit	Excess PTRC Distributions
Cash and investments - beginning	\$ 1,236	\$ 622	\$ 5,688	\$ 251	\$ 24,431	\$ -	\$ -	\$ 7,318
Receipts:								
Local sources	-	-	-	-	11,897	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	27,621	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	27,621	-	11,897	-	-	-
Disbursements:								
Current:								
Instruction	-	-	20,926	-	-	-	-	-
Support services	-	484	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	1,070	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	484	20,926	-	1,070	-	-	-
Excess (deficiency) of receipts over disbursements	-	(484)	6,695	-	10,827	-	-	-
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	-	(484)	6,695	-	10,827	-	-	-
Cash and investments - ending	\$ 1,236	\$ 138	\$ 12,383	\$ 251	\$ 35,258	\$ -	\$ -	\$ 7,318

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

	Title I - Grants to LEAs	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Safe/Drug-Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	Rural Schools and Low Income Program - Pass Through State	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ (585)	\$ (7,183)	\$ 566	\$ -	\$ -	\$ -	\$ (367)	\$ 5,798,784
Receipts:								
Local sources	-	-	-	-	-	-	-	1,645,827
Intermediate sources	-	-	-	-	-	-	-	173
State sources	-	-	-	-	-	-	-	4,830,866
Federal sources	271,200	70,000	-	31,798	-	132,003	-	665,317
Other	-	-	-	-	-	-	1,421,775	1,432,645
Total receipts	271,200	70,000	-	31,798	-	132,003	1,421,775	8,574,828
Disbursements:								
Current:								
Instruction	208,760	132,053	-	-	-	100,503	-	3,514,483
Support services	76,042	-	-	-	-	28,500	-	2,615,930
Noninstructional services	-	-	-	-	-	3,000	-	437,815
Facilities acquisition and construction	-	-	-	-	-	-	-	670,646
Debt services	-	-	-	-	-	-	-	289,998
Nonprogrammed charges	-	-	-	-	-	-	1,421,583	1,421,583
Total disbursements	284,802	132,053	-	-	-	132,003	1,421,583	8,950,455
Excess (deficiency) of receipts over disbursements	(13,602)	(62,053)	-	31,798	-	-	192	(375,627)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	243
Transfers in	-	-	-	-	-	-	-	108,553
Transfers out	-	-	-	(31,798)	-	-	-	(108,553)
Total other financing sources (uses)	-	-	-	(31,798)	-	-	-	243
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,602)	(62,053)	-	-	-	-	192	(375,384)
Cash and investments - ending	\$ (14,187)	\$ (69,236)	\$ 566	\$ -	\$ -	\$ -	\$ (175)	\$ 5,423,400

CASTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,977,592	\$ 47,072	\$ 404,038	\$ 1,062,295	\$ 190,448	\$ 703,646	\$ 33,989	\$ 30,768
Receipts:								
Local sources	78,995	374,513	570,661	588,226	135,815	-	172,615	77,584
Intermediate sources	173	-	-	-	-	-	-	-
State sources	4,713,554	-	-	-	-	-	4,528	70,967
Federal sources	-	-	-	-	-	-	176,907	-
Other	-	-	4,905	-	-	-	-	-
Total receipts	4,792,722	374,513	575,566	588,226	135,815	-	354,050	148,551
Disbursements:								
Current:								
Instruction	2,881,947	-	-	-	-	-	-	-
Support services	1,574,044	-	148,781	495,591	169,986	-	-	109,903
Noninstructional services	86,012	-	-	-	-	-	298,888	-
Facilities acquisition and construction	-	-	542,840	-	-	-	-	-
Debt services	-	298,776	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	4,542,003	298,776	691,621	495,591	169,986	-	298,888	109,903
Excess (deficiency) of receipts over disbursements	250,719	75,737	(116,055)	92,635	(34,171)	-	55,162	38,648
Other financing sources (uses):								
Sale of capital assets	187	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	22,500	-	-
Transfers out	-	-	-	(22,500)	-	-	-	-
Total other financing sources (uses)	187	-	-	(22,500)	-	22,500	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	250,906	75,737	(116,055)	70,135	(34,171)	22,500	55,162	38,648
Cash and investments - ending	\$ 3,228,498	\$ 122,809	\$ 287,983	\$ 1,132,430	\$ 156,277	\$ 726,146	\$ 89,151	\$ 69,416

CASTON SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	SAFE School Haven	Promotion of School Corp	High Ability Gifted & Talented	Medicaid Reimbursement	School Technology	Youth Health Service	ISTA Lawsuit	Excess PTRC Distributions
Cash and investments - beginning	\$ 1,236	\$ 138	\$ 12,383	\$ 251	\$ 35,258	\$ -	\$ -	\$ 7,318
Receipts:								
Local sources	-	-	-	-	11,813	150	489,226	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	26,960	-	-	-	-	-
Federal sources	-	-	-	56	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	26,960	56	11,813	150	489,226	-
Disbursements:								
Current:								
Instruction	-	-	35,960	-	-	-	-	-
Support services	-	-	-	-	-	-	183,008	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	1,010	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	35,960	-	1,010	-	183,008	-
Excess (deficiency) of receipts over disbursements	-	-	(9,000)	56	10,803	150	306,218	-
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	-	-	(9,000)	56	10,803	150	306,218	-
Cash and investments - ending	\$ 1,236	\$ 138	\$ 3,383	\$ 307	\$ 46,061	\$ 150	\$ 306,218	\$ 7,318

CASTON SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Title I - Grants to LEAs	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Safe/Drug-Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	Rural Schools and Low Income Program - Pass Through State	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ (14,187)	\$ (69,236)	\$ 566	\$ -	\$ -	\$ -	\$ (175)	\$ 5,423,400
Receipts:								
Local sources	-	-	-	-	-	-	-	2,499,598
Intermediate sources	-	-	-	-	-	-	-	173
State sources	-	-	-	-	-	-	-	4,816,009
Federal sources	278,215	69,937	1,935	27,643	14,755	-	-	569,448
Other	-	-	-	-	-	-	1,340,925	1,345,830
Total receipts	278,215	69,937	1,935	27,643	14,755	-	1,340,925	9,231,058
Disbursements:								
Current:								
Instruction	178,293	701	-	27,643	-	-	-	3,124,544
Support services	105,810	-	1,790	-	-	-	-	2,788,913
Noninstructional services	-	-	-	-	-	-	-	384,900
Facilities acquisition and construction	-	-	-	-	14,755	-	-	558,605
Debt services	-	-	-	-	-	-	-	298,776
Nonprogrammed charges	-	-	-	-	-	-	1,340,783	1,340,783
Total disbursements	284,103	701	1,790	27,643	14,755	-	1,340,783	8,496,521
Excess (deficiency) of receipts over disbursements	(5,888)	69,236	145	-	-	-	142	734,537
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	187
Transfers in	-	-	-	-	-	-	-	22,500
Transfers out	-	-	-	-	-	-	-	(22,500)
Total other financing sources (uses)	-	-	-	-	-	-	-	187
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,888)	69,236	145	-	-	-	142	734,724
Cash and investments - ending	\$ (20,075)	\$ -	\$ 711	\$ -	\$ -	\$ -	\$ (33)	\$ 6,158,124

CASTON SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Apple Financial Services	iPad Lease	\$ <u>125,951</u>	8/20/2012	8/20/2014

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: General obligation bonds	Ad Valorem Property Tax First Mortgage Bonds	\$ 1,905,000	\$ 275,000
Notes and loans payable	Energy Savings Loan	<u>795,627</u>	<u>308,482</u>
Totals		<u>\$ 2,700,627</u>	<u>\$ 583,482</u>

CASTON SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2014

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

	Ending Balance
Governmental activities:	
Land	\$ 20,000
Buildings	7,210,633
Improvements other than buildings	6,039,457
Machinery, equipment, and vehicles	3,736,875
Construction in progress	<u>10,303</u>
Total capital assets	<u><u>\$ 17,017,268</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE CASTON SCHOOL CORPORATION, FULTON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Caston 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, 2012 to June 30, 2014. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014.

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

Other Matters

This report replaces the previously issued Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance dated February 17, 2015. The Schedule of Expenditures of Federal Awards has been revised to correct a misstatement. This correction changed the determination of the major programs. The Special Education Cluster was also audited as a major program due to the change.

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 a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-003 to be a material weakness.

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

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


Paul D. Joyce, CPA
State Examiner

February 17, 2015, except the Special Education Cluster, as to which the date is February 17, 2016

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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CASTON SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

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 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster	Indiana Department of Education				
School Breakfast Program		10.553	FY 12-13	\$ 34,399	\$ -
			FY 13-14	-	37,463
National School Lunch Program		10.555	FY 12-13	157,654	-
			FY 13-14	-	173,000
Total - Child Nutrition Cluster				192,053	210,463
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	FY 11-12	19,142	-
			FY 12-13	252,057	51,286
			FY 13-14	-	226,928
Total - Title I, Part A Cluster				271,199	278,214
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027	14212-037-PN01	101,177	7,225
			14213-037-PN01	47,233	120,772
			14214-037-PN01	-	21,228
			9914-037-PN01-TA01	-	448
			2012 Impr	70,000	-
			2013 Impr	-	69,937
Total - Special Education - Grants to States				218,410	219,610
Special Education - Preschool Grants	Indiana Department of Education	84.173	45712-037-PN01	1,454	-
			45713-037-PN01	3,074	3,311
			45714-037-PN01	-	1,774
Total - Special Education - Preschool Grants				4,528	5,085
Total - Special Education Cluster (IDEA)				222,938	224,695
Rural Education	Indiana Department of Education	84.358	FY 13	-	14,755
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	FY 12	31,798	-
			FY 13	-	27,643
Total for program				31,798	27,643
Education Jobs Fund	Indiana Department of Education	84.410	12-13 ARRA	132,003	-
Total - Department of Education				657,938	545,307
Total federal awards expended				\$ 849,991	\$ 755,770

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

CASTON SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation 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 5-11-1-25), 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, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012-2013	2013-2014
National School Lunch Program	10.555	\$ 31,737	\$ 33,556

Note 3. Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative. As a result, some activity for the Special Education Cluster that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Special Education Cooperative.

CASTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster
Special Education Cluster

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal controls 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. The Superintendent independently prepares the SEFA without oversight, review, or approval.

During the audit of the SEFA for the 2013-2014 school year, we noted that federal awards were incorrectly reported. This error resulted in the SEFA presented for audit to be understated by \$279,197. An audit adjustment was proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

CASTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 in part:

"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 the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

FINDING 2014-002 - 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. 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 and investment balances and receipts. One person is responsible for issuing, recording, depositing, and reconciling of receipts for the School Lunch fund. There is no segregation of duties, including no oversight, review, or approval process. We believe these deficiencies constitute a material weakness:

- A. The Extra-Curricular Treasurer records the receipts, takes the deposits to the bank, receives the bank statement and reconciles the depository balance with the fund balances, including the School Lunch fund, without oversight, review, or approval.

CASTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

B. The Head Cashier in the cafeteria collects all point of sale cash payments, prepares the daily receipt report (Cafeteria Daily Sheet), and prepares the deposit slip. The Head Cashier takes the collections, deposit slip, and receipt report, prepared without oversight or review, to the Extra-Curricular Treasurer to record and deposit. The Head Cashier also records the receipts paid through student prepaid accounts, records these transactions to the student's accounts, and reconciles the student balances to the Prepaid Food fund.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material misstatements of the financial statements 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 financial transactions and reporting. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

The failure to establish these controls could enable misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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 2014-003 - INTERNAL CONTROL OVER CASH MANAGEMENT

Federal Agency: Department of Education

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Years: FY 12-13, FY 13-14

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 Cash Management compliance requirements that have a direct and material effect on the programs. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

CASTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the School Lunch fund monthly cash balances were maintained in compliance with the Cash Management requirements.

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 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 with the grant agreement or the compliance requirements 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 on the programs.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.

Caston School Corporation
P.O. Box 8
Fulton, Indiana 46931-0008
OFFICE OF THE SUPERINTENDENT
Phone: 574-857-2035
FAX: 574-857-6795

CORRECTIVE ACTION PLAN

FINDING 2014 – 001

Contact Person Responsible for Corrective Action

Caston School Corporation Superintendent

Caston School Corporation Treasurer

Contact Phone Number

(574) 857-2035 ext. 336

(574) 857-2035 ext. 337

Description of Corrective Action:

The Caston School Corporation will take steps to improve the internal controls in preparing the Schedule of Federal Awards (SEFA). We will implement a procedure that will require two essential personnel the responsibility of completing and/or reviewing the schedule. We will also begin a monthly review of the grant activity for our federal grants, and establish a communication system with those at the building level (primarily the two building-level Principals and the Food Service Director) who would have oversight roles for those programs funded by federal grant dollars in an effort to provide an additional level of checks and balances, as well as to enhance communication. This will further assure the guidelines of the federal grants are adhered to at all times.

Anticipated Completion Date:

This corrective action will immediately be put into place; in fact the schedule was started during the audit process.

FINDING 2014 – 002

Contact Person Responsible for Corrective Action

Contact Phone Number

Caston School Corporation Superintendent (574) 857-2035 ext. 336

Caston School Corporation High School Principal (574) 857-3505 ext. 310

The Caston School Corporation will take steps to improve the internal control system related to financial transactions and reporting for both the extracurricular and school cafeteria funds by addressing areas identified as problematic due to lack of segregation of duties. We will immediately implement these procedures as a means of protecting against misstatements or irregularities in financial reporting and to provide additional oversight. Individuals participating in the sharing of responsibilities and oversight/review will indicate their participation by signing or initializing the records to verify fulfillment of responsibilities as well as verification of accuracy.

Duties currently fulfilled by the Extracurricular/Bookstore Manager will be reviewed/approved by the High School Principal who serves as the Extra- Curricular Administrator. Further oversight will be provided by the treasurer through periodic review of food service accounts in accordance with board policy 8500.

The Head Cashier will have duties segregated and shared by The Food Service Director and Extracurricular/Bookstore Manager. The Food Service Director will check and verify accuracy of daily transactions and will sign-off to verify the procedure/accuracy. The Extracurricular/Bookstore Manager will verify the deposits from the cafeteria by running a tape to confirm the accuracy of the deposit and by signing off on the verification to

document the procedure. Additionally, in areas of cash management, duties that involve the collection and/or handling of cash will be further segregated so that more than one individual has responsibility for safeguarding the controls over cash processed as a part of those funds and operations for the corporation. Simple routine procedures such as using a buddy system for making rounds to the classrooms to collect the lunch money that elementary students bring in weekly will be implemented immediately. Following point of sale cash payments and preparation of the daily receipt report and deposit slip, verification by the Food Service Director, prior to delivery to the Extra-Curricular Treasurer for purposes of recording and deposit, will take place as a means of strengthening internal control and providing further segregation of those duties.

Anticipated Completion Date:

These actions will be implemented yet this school year, and will be in place prior to the end of the 2014-15 school year and fully implemented at the start of the 2015-16 school year.

FINDING 2014 – 003

Contact Person Responsible for Corrective Action **Contact Phone Number**

Caston School Corporation Superintendent (574) 857-2035 ext. 336

Caston School Corporation Treasurer (574)857-2035 ext. 337

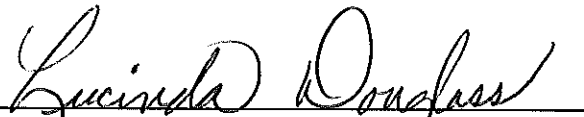
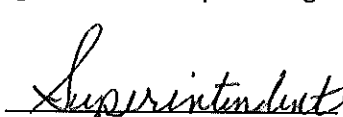

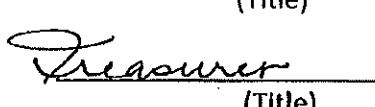
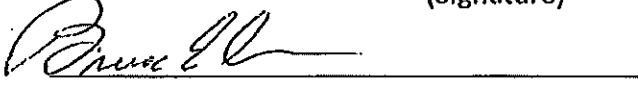

Caston School Corporation Food Service Director (574)857-3505 ext. 327

Description of Corrective Action:

Caston School Corporation will assure that the Federal Programs for School Breakfast and National School Lunch are managed in accordance with Caston School Corporation's Board Policy 8500 – Food Services as follows: "A periodic review of the food service accounts will be made by the Caston School Corporation Treasurer. Any surplus funds from the National School Lunch Program will be used to reduce the cost of the service to students or to purchase cafeteria equipment. Surplus funds from a-la-carte foods may accrue to the food service program." The treasurer will review the cafeteria statements monthly to review the balances and accounting of the operation. Signature on the statements will verify this procedure. Additionally, the Superintendent will review the federal grant annually with the cafeteria manager and will provide oversight in the administration of the grant to assure that federal compliance requirements are in place.

Anticipated Completion Date:

By March 31, 2015 – review of FY 2015 Grant; ongoing review of new grants will take place as grants are written & approved.

 (Signature)	 (Title)	<u>2-17-15</u> (Date)
 (Signature)	 (Title)	<u>2-17-15</u> (Date)
 (Signature)	 (Title)	<u>2-17-15</u> (Date)

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.