

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

BROWN COUNTY SCHOOLS
BROWN COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
01/28/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carol S. Owens	07-01-12 to 06-30-16
Superintendent of Schools	David Shaffer	07-01-12 to 06-30-16
President of the School Board	Judy Hardwick Carolyn V. Bowden	01-01-12 to 12-31-12 01-01-13 to 12-31-15



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Brown County Schools (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 as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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 Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2015, 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

November 19, 2015



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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 BROWN COUNTY SCHOOLS, BROWN 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 Brown County Schools (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 November 19, 2015, 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*

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.

Brown County Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

November 19, 2015

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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.

BROWN COUNTY SCHOOLS
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	\$ 5,770,427	\$ 13,551,925	\$ 13,953,535	\$ -	\$ 5,368,817	\$ 13,711,453	\$ 13,397,128	\$ 34,123	\$ 5,717,265
Referendum Tax Levy	74,613	136,129	-	(119,222)	91,520	135,699	-	(210,566)	16,653
Debt Service	345,698	2,222,162	1,221,904	-	1,345,956	2,504,902	2,679,573	(111,609)	1,059,676
Retirement/Severance Bond Debt Service	56,426	165,875	133,874	-	88,427	90,454	133,034	-	45,847
Capital Projects	2,111,729	2,000,859	2,471,087	(59,000)	1,582,501	1,956,450	2,402,616	(9,000)	1,127,335
School Transportation	3,447,299	2,606,588	2,823,687	(50,000)	3,180,200	2,663,121	2,987,054	-	2,856,267
School Bus Replacement	105,907	60,954	39,337	-	127,524	112,562	57,917	-	182,169
Rainy Day	2,148,162	100,000	562,909	(100,000)	1,585,253	7,469	472,545	(235,000)	885,177
Retirement/Severance Bond	548,846	-	(56,867)	-	605,713	-	104,191	-	501,522
Post-Retirement/Severance Future Benefits	103,554	-	141,789	200,000	161,765	979	208,295	235,000	189,449
2010 Science GO Bond	6,757	-	-	-	6,757	-	-	-	6,757
GO Bond 2012 Elementary Science Labs	2,555,137	-	2,055,839	-	499,298	-	57,305	-	441,993
School Lunch	54,314	1,053,717	1,075,651	-	32,380	1,120,017	1,060,830	-	91,567
Textbook Rental	776	162,848	123,443	-	40,181	217,237	270,708	66,986	53,696
Educational License Plates	1,800	300	-	-	2,100	281	-	-	2,381
McDonald's Grant Greller JH	17	500	496	-	21	500	499	-	22
BCJHS We The People Students	-	3,297	23,078	19,781	-	-	-	-	-
BCJHS We The People Donations	-	32,506	10,902	(19,781)	1,823	49,711	36,599	-	14,935
BCJHS Weather Bug Grant	-	-	-	-	-	27,495	-	-	27,495
Driver's Education Fund	-	-	-	-	-	2,945	30	10,500	13,415
Bryan Pitcher Estate	5,000	-	-	-	5,000	76	-	-	5,076
Helms/Thelma Fleener Estate	5,000	-	-	-	5,000	-	-	-	5,000
Rotary Teacher of the Year	305	800	567	-	538	1,600	-	-	2,138
Bloomington Arts Council Fund	143	3,692	2,591	-	1,244	445	219	-	1,470
Bryan Pitcher Interest	470	-	-	-	470	-	439	-	31
Psi Iota Xi	296	-	-	-	296	-	-	-	296
Fleener Estate Interest	589	-	-	-	589	-	511	-	78
Local At Risk Grant	312	-	45	-	267	-	-	-	267
BCJHS After School Donations	2,347	4,083	6,430	-	-	-	-	-	-
Superintendent	144	-	-	-	144	-	-	-	144
Adult & Continuing Education	1,250	-	-	(1,250)	-	-	-	-	-
BCJHS Extra Curricular Activities	112	3,641	3,744	-	9	1,950	1,918	-	41
BCHS Extra Curricular Activities	941	9,239	8,728	-	1,452	4,310	1,966	-	3,796
Church of the Lakes Donation	116	-	116	-	-	-	-	-	-
Indiana Arts Commission 10-11 VB	1,836	-	-	(1,836)	-	-	-	-	-
OPERA Helmsburg 11-12	3,607	-	-	(3,607)	-	-	-	-	-

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

BROWN COUNTY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014
(Continued)

	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
Nashville Opera Grant 2012-13	-	4,275	3,355	6,693	7,613	-	-	(7,613)	-
BC Intermediate Sch Opera 13-14	-	-	-	-	-	-	1,776	7,613	5,837
BC Schools Humane Society Grant	2,374	-	175	-	2,199	-	-	-	2,199
IU Tuition Replacement Cr Bnk	320	-	-	-	320	-	-	-	320
Family Literacy Pre-School	-	-	-	-	-	1,425	-	-	1,425
Peers LCC Donation 03	53	-	-	-	53	-	-	-	53
Peers Grant 09-10 LCC	299	-	-	-	299	-	-	-	299
BC Career Resource Center	149,799	180,717	267,457	128,222	191,281	174,634	279,073	219,566	306,408
Special Donations Library Helmsburg	2,027	-	-	-	2,027	-	-	-	2,027
High Ability Grant 2010-2011	1	-	-	-	1	-	-	-	1
High Ability Grant 2011-2012	4,886	-	4,733	-	153	-	-	-	153
High Ability Grant 2012-2013	-	31,130	28,261	-	2,869	-	2,869	-	-
HA 13-14 Grant	-	-	-	-	-	31,091	28,461	-	2,630
Medicaid Reimbursement	940	-	-	-	940	-	-	-	940
School Technology 2013-2014	-	-	-	-	-	35,638	35,638	-	-
School Technology	19,526	201,130	91,643	-	129,013	67,918	129,214	-	67,717
Performance Based Awards	-	-	-	-	-	172,384	172,384	-	-
Title I 2013-14	-	-	-	-	-	279,334	279,484	-	(150)
Title I 2011-2012	(9,853)	63,171	53,310	-	8	-	-	-	8
Title I 2012-2013	-	262,050	324,592	-	(62,542)	148,979	86,437	-	-
Co-op Sp Ed IDEA 2011-12	(24,316)	45,662	21,346	-	-	-	-	-	-
2012-13 Special Ed IDEA	-	362,753	451,425	28,754	(59,918)	91,889	31,971	-	-
Special Ed IDEA 2013-14	-	-	-	-	-	428,884	429,034	-	(150)
Pre-School Sp Ed Grant 12-13	-	44,157	15,403	(28,754)	-	-	-	-	-
Special Ed Pre-School 13-14	-	-	-	-	-	14,679	14,679	-	-
Tile IV Drug Free School 09-10	2	-	-	-	2	-	-	-	2
Purdue ROCK 2011-2012	3,802	-	3,802	-	-	-	-	-	-
ROCK 2012-2013	-	14,665	14,665	-	-	-	-	-	-
Title II A Imp Teacher Quality 2011-2012	(4,775)	38,846	34,071	-	-	-	-	-	-
Title II A 2013-2014	-	30,172	42,510	-	(12,338)	96,749	84,447	-	(36)
Education Jobs	-	8,717	8,717	-	-	-	-	-	-
Self Funded Employee Benefits	347,424	2,268,265	2,465,466	-	150,223	2,736,686	2,626,928	-	259,981
Employee Flex Funds	(6)	124,985	126,368	-	(1,389)	104,379	96,376	-	6,614
Payroll Withholdings	11,443	4,247,120	4,222,690	-	35,873	5,918,858	5,991,277	-	(36,546)
Totals	\$ 17,857,876	\$ 30,046,930	\$ 32,782,874	\$ -	\$ 15,121,932	\$ 32,913,183	\$ 34,163,425	\$ -	\$ 13,871,690

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

BROWN COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

BROWN COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

BROWN COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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:

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.

BROWN COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

BROWN COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Negative Receipts and Disbursements

The financial statement contains some receipts and/or disbursements which appear as negative entries. This is a result of the reversal of loans made to other funds in the prior audit period.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2013 and 2014.

BROWN COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. *Holding Corporation*

The School Corporation has entered into a capital lease with Brown County High School and Nashville School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments for the year 2014 totaled \$56,000.

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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.

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

	General	Referendum Tax Levy	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 5,770,427	\$ 74,613	\$ 345,698	\$ 56,426	\$ 2,111,729	\$ 3,447,299	\$ 105,907	\$ 2,148,162	\$ 548,846
Receipts:									
Local sources	171,788	136,129	2,222,162	165,875	2,000,243	2,598,851	60,954	100,000	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	13,329,126	-	-	-	-	-	-	-	-
Federal sources	3,843	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	47,168	-	-	-	616	7,737	-	-	-
Total receipts	13,551,925	136,129	2,222,162	165,875	2,000,859	2,606,588	60,954	100,000	-
Disbursements:									
Current:									
Instruction	9,669,421	-	-	-	-	-	-	51,419	-
Support services	4,018,874	-	-	-	1,904,938	2,819,015	39,337	149,448	35,000
Noninstructional services	265,240	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	566,149	4,672	-	362,042	-
Debt services	-	-	1,221,904	133,874	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	(91,867)
Total disbursements	13,953,535	-	1,221,904	133,874	2,471,087	2,823,687	39,337	562,909	(56,867)
Excess (deficiency) of receipts over disbursements	(401,610)	136,129	1,000,258	32,001	(470,228)	(217,099)	21,617	(462,909)	56,867
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	(119,222)	-	-	(59,000)	(50,000)	-	(100,000)	-
Total other financing sources (uses)	-	(119,222)	-	-	(59,000)	(50,000)	-	(100,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(401,610)	16,907	1,000,258	32,001	(529,228)	(267,099)	21,617	(562,909)	56,867
Cash and investments - ending	\$ 5,368,817	\$ 91,520	\$ 1,345,956	\$ 88,427	\$ 1,582,501	\$ 3,180,200	\$ 127,524	\$ 1,585,253	\$ 605,713

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

	Post- Retirement/ Severance Future Benefits	2010 Science GO Bond	GO Bond 2012 Elementary Science Labs	School Lunch	Textbook Rental	Educational License Plates	McDonald's Grant Greller JH	BCJHS We The People Students	BCJHS We The People Donations
Cash and investments - beginning	\$ 103,554	\$ 6,757	\$ 2,555,137	\$ 54,314	\$ 776	\$ 1,800	\$ 17	\$ -	\$ -
Receipts:									
Local sources	-	-	-	419,061	81,890	-	500	3,297	32,506
Intermediate sources	-	-	-	-	-	300	-	-	-
State sources	-	-	-	8,975	80,958	-	-	-	-
Federal sources	-	-	-	624,095	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	1,586	-	-	-	-	-
Total receipts	-	-	-	1,053,717	162,848	300	500	3,297	32,506
Disbursements:									
Current:									
Instruction	137,231	-	-	-	-	-	496	23,078	10,902
Support services	4,558	-	208,108	36,990	97,873	-	-	-	-
Noninstructional services	-	-	-	973,055	-	-	-	-	-
Facilities acquisition and construction	-	-	1,847,731	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	65,606	25,570	-	-	-	-
Total disbursements	141,789	-	2,055,839	1,075,651	123,443	-	496	23,078	10,902
Excess (deficiency) of receipts over disbursements	(141,789)	-	(2,055,839)	(21,934)	39,405	300	4	(19,781)	21,604
Other financing sources (uses):									
Transfers in	200,000	-	-	-	-	-	-	19,781	-
Transfers out	-	-	-	-	-	-	-	-	(19,781)
Total other financing sources (uses)	200,000	-	-	-	-	-	-	19,781	(19,781)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	58,211	-	(2,055,839)	(21,934)	39,405	300	4	-	1,823
Cash and investments - ending	\$ 161,765	\$ 6,757	\$ 499,298	\$ 32,380	\$ 40,181	\$ 2,100	\$ 21	\$ -	\$ 1,823

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

	BCJHS Weather Bug Grant	Driver's Education Fund	Byran Pitcher Estate	Helms/Thelma Fleener Estate	Rotary Teacher of the Year	Bloomington Arts Council Fund	Bryan Pitcher Interest	Psi Iota Xi	Fleener Estate Interest
Cash and investments - beginning	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ 305	\$ 143	\$ 470	\$ 296	\$ 589
Receipts:									
Local sources	-	-	-	-	800	790	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	2,902	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	800	3,692	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	567	784	-	-	-
Support services	-	-	-	-	-	1,807	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	567	2,591	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	233	1,101	-	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	233	1,101	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ 538	\$ 1,244	\$ 470	\$ 296	\$ 589

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

	Local At Risk Grant	BCJHS After School Donations	Superintendent	Adult & Continuing Education	BCJHS Extra Curricular Activites	BCHS Extra Curricular Activites	Church of the Lakes Donation	Indiana Arts Commission 10-11 VB	OPERA Helmsburg 11-12
Cash and investments - beginning	\$ 312	\$ 2,347	\$ 144	\$ 1,250	\$ 112	\$ 941	\$ 116	\$ 1,836	\$ 3,607
Receipts:									
Local sources	-	4,083	-	-	3,641	9,239	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	4,083	-	-	3,641	9,239	-	-	-
Disbursements:									
Current:									
Instruction	-	6,430	-	-	-	-	-	-	-
Support services	45	-	-	-	-	-	116	-	-
Noninstructional services	-	-	-	-	3,744	8,036	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	692	-	-	-
Total disbursements	45	6,430	-	-	3,744	8,728	116	-	-
Excess (deficiency) of receipts over disbursements	(45)	(2,347)	-	-	(103)	511	(116)	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(1,250)	-	-	-	(1,836)	(3,607)
Total other financing sources (uses)	-	-	-	(1,250)	-	-	-	(1,836)	(3,607)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(45)	(2,347)	-	(1,250)	(103)	511	(116)	(1,836)	(3,607)
Cash and investments - ending	\$ 267	\$ -	\$ 144	\$ -	\$ 9	\$ 1,452	\$ -	\$ -	\$ -

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

	Nashville Opera Grant 2012-13	BC Intermediate Sch Opera 13-14	BC Schools Humane Society Grant	IU Tuition Replacement Cr Bnk	Family Literacy Pre-School	Peers LCC Donation 03	Peers Grant 09-10 LCC	BC Career Resource Center	Special Donations Library Helmsburg
Cash and investments - beginning	\$ -	\$ -	\$ 2,374	\$ 320	\$ -	\$ 53	\$ 299	\$ 149,799	\$ 2,027
Receipts:									
Local sources	4,275	-	-	-	-	-	-	151,770	-
Intermediate sources	-	-	-	-	-	-	-	28,947	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	4,275	-	-	-	-	-	-	180,717	-
Disbursements:									
Current:									
Instruction	3,355	-	175	-	-	-	-	266,898	-
Support services	-	-	-	-	-	-	-	559	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	3,355	-	175	-	-	-	-	267,457	-
Excess (deficiency) of receipts over disbursements	920	-	(175)	-	-	-	-	(86,740)	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	6,693	-	-	-	-	-	-	128,222	-
Total other financing sources (uses)	6,693	-	-	-	-	-	-	128,222	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,613	-	(175)	-	-	-	-	41,482	-
Cash and investments - ending	\$ 7,613	\$ -	\$ 2,199	\$ 320	\$ -	\$ 53	\$ 299	\$ 191,281	\$ 2,027

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

	High Ability Grant 2010-2011	High Ability Grant 2011-2012	High Ability Grant 2012-2013	HA 13-14 Grant	Medicaid Reimbursement	School Technology 2013-2014	School Technology	Performance Based Awards	Title I 2013-14
Cash and investments - beginning	\$ 1	\$ 4,886	\$ -	\$ -	\$ 940	\$ -	\$ 19,526	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	31,130	-	-	-	4,411	-	-
Federal sources	-	-	-	-	-	-	196,719	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	31,130	-	-	-	201,130	-	-
Disbursements:									
Current:									
Instruction	-	4,733	28,261	-	-	-	-	-	-
Support services	-	-	-	-	-	-	91,643	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	4,733	28,261	-	-	-	91,643	-	-
Excess (deficiency) of receipts over disbursements	-	(4,733)	2,869	-	-	-	109,487	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(4,733)	2,869	-	-	-	109,487	-	-
Cash and investments - ending	\$ 1	\$ 153	\$ 2,869	\$ -	\$ 940	\$ -	\$ 129,013	\$ -	\$ -

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

	Title I 2011-2012	Title I 2012-2013	Co-op Sp Ed IDEA 2011-12	2012-13 Special Ed IDEA	Special Ed IDEA 2013-14	Pre-School Sp Ed Grant 12-13	Special Ed Pre-School 13-14	Title IV Drug Free School 09-10	Purdue ROCK 2011-2012
Cash and investments - beginning	\$ (9,853)	\$ -	\$ (24,316)	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 3,802
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	63,171	262,050	45,662	362,753	-	44,157	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	63,171	262,050	45,662	362,753	-	44,157	-	-	-
Disbursements:									
Current:									
Instruction	49,835	305,222	21,346	451,425	-	15,403	-	-	3,802
Support services	(70)	19,370	-	-	-	-	-	-	-
Noninstructional services	3,545	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	53,310	324,592	21,346	451,425	-	15,403	-	-	3,802
Excess (deficiency) of receipts over disbursements	9,861	(62,542)	24,316	(88,672)	-	28,754	-	-	(3,802)
Other financing sources (uses):									
Transfers in	-	-	-	28,754	-	(28,754)	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	28,754	-	(28,754)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,861	(62,542)	24,316	(59,918)	-	-	-	-	(3,802)
Cash and investments - ending	\$ 8	\$ (62,542)	\$ -	\$ (59,918)	\$ -	\$ -	\$ -	\$ 2	\$ -

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

	ROCK 2012-2013	Title II A Imp Teacher Quality 2011-2012	Title II A 2013-2014	Education Jobs	Self Funded Employee Benefits	Employee Flex Funds	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (4,775)	\$ -	\$ -	\$ 347,424	\$ (6)	\$ 11,443	\$ 17,857,876
Receipts:								
Local sources	-	-	-	-	-	-	-	8,167,854
Intermediate sources	-	-	-	-	-	-	-	29,247
State sources	-	-	-	-	-	-	-	13,454,600
Federal sources	14,665	38,846	30,172	8,717	-	-	-	1,697,752
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	2,268,265	124,985	4,247,120	6,697,477
Total receipts	14,665	38,846	30,172	8,717	2,268,265	124,985	4,247,120	30,046,930
Disbursements:								
Current:								
Instruction	14,665	34,071	42,510	8,717	-	-	-	11,150,746
Support services	-	-	-	-	-	-	-	9,427,611
Noninstructional services	-	-	-	-	-	-	-	1,253,620
Facilities acquisition and construction	-	-	-	-	-	-	-	2,780,594
Debt services	-	-	-	-	-	-	-	1,355,778
Nonprogrammed charges	-	-	-	-	2,465,466	126,368	4,222,690	6,814,524
Interfund loans	-	-	-	-	-	-	-	1
Total disbursements	14,665	34,071	42,510	8,717	2,465,466	126,368	4,222,690	32,782,874
Excess (deficiency) of receipts over disbursements	-	4,775	(12,338)	-	(197,201)	(1,383)	24,430	(2,735,944)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	219,781
Transfers out	-	-	-	-	-	-	-	(219,781)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	4,775	(12,338)	-	(197,201)	(1,383)	24,430	(2,735,944)
Cash and investments - ending	\$ -	\$ -	\$ (12,338)	\$ -	\$ 150,223	\$ (1,389)	\$ 35,873	\$ 15,121,932

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

	General	Referendum Tax Levy	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 5,368,817	\$ 91,520	\$ 1,345,956	\$ 88,427	\$ 1,582,501	\$ 3,180,200	\$ 127,524	\$ 1,585,253	\$ 605,713
Receipts:									
Local sources	226,093	135,699	2,504,902	90,454	1,955,190	2,663,121	112,562	7,469	-
Intermediate sources	17	-	-	-	-	-	-	-	-
State sources	13,485,101	-	-	-	-	-	-	-	-
Federal sources	242	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	1,260	-	-	-	-
Total receipts	13,711,453	135,699	2,504,902	90,454	1,956,450	2,663,121	112,562	7,469	-
Disbursements:									
Current:									
Instruction	9,205,231	-	-	-	-	-	-	266,031	-
Support services	3,942,569	-	-	-	1,895,968	2,986,157	57,917	163,287	37,500
Noninstructional services	249,328	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	506,648	897	-	43,227	-
Debt services	-	-	2,679,573	133,034	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	66,691
Total disbursements	13,397,128	-	2,679,573	133,034	2,402,616	2,987,054	57,917	472,545	104,191
Excess (deficiency) of receipts over disbursements	314,325	135,699	(174,671)	(42,580)	(446,166)	(323,933)	54,645	(465,076)	(104,191)
Other financing sources (uses):									
Transfers in	34,123	-	-	-	-	-	-	-	-
Transfers out	-	(210,566)	(111,609)	-	(9,000)	-	-	(235,000)	-
Total other financing sources (uses)	34,123	(210,566)	(111,609)	-	(9,000)	-	-	(235,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	348,448	(74,867)	(286,280)	(42,580)	(455,166)	(323,933)	54,645	(700,076)	(104,191)
Cash and investments - ending	\$ 5,717,265	\$ 16,653	\$ 1,059,676	\$ 45,847	\$ 1,127,335	\$ 2,856,267	\$ 182,169	\$ 885,177	\$ 501,522

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

	Post- Retirement/ Severance Future Benefits	2010 Science GO Bond	GO Bond 2012 Elementary Science Labs	School Lunch	Textbook Rental	Educational License Plates	McDonald's Grant Greller JH	BCJHS We The People Students	BCJHS We The People Donations
Cash and investments - beginning	\$ 161,765	\$ 6,757	\$ 499,298	\$ 32,380	\$ 40,181	\$ 2,100	\$ 21	\$ -	\$ 1,823
Receipts:									
Local sources	979	-	-	436,379	134,867	-	500	-	49,711
Intermediate sources	-	-	-	-	-	281	-	-	-
State sources	-	-	-	8,651	82,370	-	-	-	-
Federal sources	-	-	-	673,718	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	1,269	-	-	-	-	-
Total receipts	979	-	-	1,120,017	217,237	281	500	-	49,711
Disbursements:									
Current:									
Instruction	203,515	-	-	-	-	-	499	-	36,599
Support services	4,780	-	1,614	48,018	270,376	-	-	-	-
Noninstructional services	-	-	-	1,012,812	-	-	-	-	-
Facilities acquisition and construction	-	-	55,691	-	332	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	208,295	-	57,305	1,060,830	270,708	-	499	-	36,599
Excess (deficiency) of receipts over disbursements	(207,316)	-	(57,305)	59,187	(53,471)	281	1	-	13,112
Other financing sources (uses):									
Transfers in	235,000	-	-	-	66,986	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	235,000	-	-	-	66,986	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	27,684	-	(57,305)	59,187	13,515	281	1	-	13,112
Cash and investments - ending	\$ 189,449	\$ 6,757	\$ 441,993	\$ 91,567	\$ 53,696	\$ 2,381	\$ 22	\$ -	\$ 14,935

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

	BCJHS Weather Bug Grant	Driver's Education Fund	Byran Pitcher Estate	Helms/Thelma Fleener Estate	Rotary Teacher of the Year	Bloomington Arts Council Fund	Bryan Pitcher Interest	Psi Iota Xi	Fleener Estate Interest
Cash and investments - beginning	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ 538	\$ 1,244	\$ 470	\$ 296	\$ 589
Receipts:									
Local sources	27,495	2,945	76	-	1,600	266	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	179	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	27,495	2,945	76	-	1,600	445	-	-	-
Disbursements:									
Current:									
Instruction	-	30	-	-	-	-	-	-	511
Support services	-	-	-	-	-	219	439	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	30	-	-	-	219	439	-	511
Excess (deficiency) of receipts over disbursements	27,495	2,915	76	-	1,600	226	(439)	-	(511)
Other financing sources (uses):									
Transfers in	-	10,500	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	10,500	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	27,495	13,415	76	-	1,600	226	(439)	-	(511)
Cash and investments - ending	\$ 27,495	\$ 13,415	\$ 5,076	\$ 5,000	\$ 2,138	\$ 1,470	\$ 31	\$ 296	\$ 78

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

	Local At Risk Grant	BCJHS After School Donations	Superintendent	Adult & Continuing Education	BCJHS Extra Curricular Activites	BCHS Extra Curricular Activites	Church of the Lakes Donation	Indiana Arts Commission 10-11 VB	OPERA Helmsburg 11-12
Cash and investments - beginning	\$ 267	\$ -	\$ 144	\$ -	\$ 9	\$ 1,452	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	1,950	4,310	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	1,950	4,310	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	1,918	1,966	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	1,918	1,966	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	32	2,344	-	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	32	2,344	-	-	-
Cash and investments - ending	\$ 267	\$ -	\$ 144	\$ -	\$ 41	\$ 3,796	\$ -	\$ -	\$ -

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

	Nashville Opera Grant 2012-13	BC Intermediate Sch Opera 13-14	BC Schools Humane Society Grant	IU Tuition Replacement Cr Bnk	Family Literacy Pre-School	Peers LCC Donation 03	Peers Grant 09-10 LCC	BC Career Resource Center	Special Donations Library Helmsburg
Cash and investments - beginning	\$ 7,613	\$ -	\$ 2,199	\$ 320	\$ -	\$ 53	\$ 299	\$ 191,281	\$ 2,027
Receipts:									
Local sources	-	-	-	-	1,425	-	-	132,762	-
Intermediate sources	-	-	-	-	-	-	-	41,872	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	1,425	-	-	174,634	-
Disbursements:									
Current:									
Instruction	-	1,776	-	-	-	-	-	277,733	-
Support services	-	-	-	-	-	-	-	1,340	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	1,776	-	-	-	-	-	279,073	-
Excess (deficiency) of receipts over disbursements	-	(1,776)	-	-	1,425	-	-	(104,439)	-
Other financing sources (uses):									
Transfers in	(7,613)	7,613	-	-	-	-	-	158,103	-
Transfers out	-	-	-	-	-	-	-	61,463	-
Total other financing sources (uses)	(7,613)	7,613	-	-	-	-	-	219,566	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,613)	5,837	-	-	1,425	-	-	115,127	-
Cash and investments - ending	\$ -	\$ 5,837	\$ 2,199	\$ 320	\$ 1,425	\$ 53	\$ 299	\$ 306,408	\$ 2,027

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

	High Ability Grant 2010-2011	High Ability Grant 2011-2012	High Ability Grant 2012-2013	HA 13-14 Grant	Medicaid Reimbursement	School Technology 2013-2014	School Technology	Performance Based Awards	Title I 2013-14
Cash and investments - beginning	\$ 1	\$ 153	\$ 2,869	\$ -	\$ 940	\$ -	\$ 129,013	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	31,091	-	-	-	172,384	-
Federal sources	-	-	-	-	-	-	67,918	-	277,729
Interfund loans	-	-	-	-	-	35,638	-	-	1,605
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	31,091	-	35,638	67,918	172,384	279,334
Disbursements:									
Current:									
Instruction	-	-	2,234	28,461	-	-	-	172,384	279,484
Support services	-	-	635	-	-	35,638	129,214	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	2,869	28,461	-	35,638	129,214	172,384	279,484
Excess (deficiency) of receipts over disbursements	-	-	(2,869)	2,630	-	-	(61,296)	-	(150)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(2,869)	2,630	-	-	(61,296)	-	(150)
Cash and investments - ending	\$ 1	\$ 153	\$ -	\$ 2,630	\$ 940	\$ -	\$ 67,717	\$ -	\$ (150)

BROWN COUNTY SCHOOLS
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 2011-2012	Title I 2012-2013	Co-op Sp Ed IDEA 2011-12	2012-13 Special Ed IDEA	Special Ed IDEA 2013-14	Pre-School Sp Ed Grant 12-13	Special Ed Pre-School 13-14	Title IV Drug Free School 09-10	Purdue ROCK 2011-2012
Cash and investments - beginning	\$ 8	\$ (62,542)	\$ -	\$ (59,918)	\$ -	\$ -	\$ -	\$ 2	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	148,979	-	91,889	402,758	-	14,679	-	-
Interfund loans	-	-	-	-	26,126	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	148,979	-	91,889	428,884	-	14,679	-	-
Disbursements:									
Current:									
Instruction	-	82,179	-	31,971	429,034	-	14,679	-	-
Support services	-	715	-	-	-	-	-	-	-
Noninstructional services	-	3,543	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	86,437	-	31,971	429,034	-	14,679	-	-
Excess (deficiency) of receipts over disbursements	-	62,542	-	59,918	(150)	-	-	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	62,542	-	59,918	(150)	-	-	-	-
Cash and investments - ending	\$ 8	\$ -	\$ -	\$ -	\$ (150)	\$ -	\$ -	\$ 2	\$ -

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

	ROCK 2012-2013	Title II A Imp Teacher Quality 2011-2012	Title II A 2013-2014	Education Jobs	Self Funded Employee Benefits	Employee Flex Funds	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (12,338)	\$ -	\$ 150,223	\$ (1,389)	\$ 35,873	\$ 15,121,932
Receipts:								
Local sources	-	-	-	-	-	-	-	8,490,755
Intermediate sources	-	-	-	-	-	-	-	42,170
State sources	-	-	-	-	-	-	-	13,779,597
Federal sources	-	-	93,427	-	-	-	-	1,771,518
Interfund loans	-	-	3,322	-	-	-	-	66,691
Other	-	-	-	-	2,736,686	104,379	5,918,858	8,762,452
Total receipts	-	-	96,749	-	2,736,686	104,379	5,918,858	32,913,183
Disbursements:								
Current:								
Instruction	-	-	84,447	-	-	-	-	11,116,798
Support services	-	-	-	-	-	-	-	9,576,386
Noninstructional services	-	-	-	-	-	-	-	1,269,567
Facilities acquisition and construction	-	-	-	-	-	-	-	606,795
Debt services	-	-	-	-	-	-	-	2,812,607
Nonprogrammed charges	-	-	-	-	2,626,928	96,376	5,991,277	8,714,581
Interfund loans	-	-	-	-	-	-	-	66,691
Total disbursements	-	-	84,447	-	2,626,928	96,376	5,991,277	34,163,425
Excess (deficiency) of receipts over disbursements	-	-	12,302	-	109,758	8,003	(72,419)	(1,250,242)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	504,712
Transfers out	-	-	-	-	-	-	-	(504,712)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	12,302	-	109,758	8,003	(72,419)	(1,250,242)
Cash and investments - ending	\$ -	\$ -	\$ (36)	\$ -	\$ 259,981	\$ 6,614	\$ (36,546)	\$ 13,871,690

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BROWN COUNTY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 11,650,784</u>	<u>\$ 1,735,397</u>

BROWN COUNTY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
US BANKCORP EQUIPMENT FINANCE INC.	COPIERS FOR ALL SCHOOLS	\$ 74,037	4/14/2011	4/10/2015
Brown County High School and Nashville School Building Corporation	BCHS and Nashville Elementary Lease	<u>112,000</u>	1/15/2013	1/15/2021
Total of annual lease payments		<u>\$ 186,037</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	ELEMENTARY SCIENCE LABS	HS SCIENCE LAB RENOVATION AND TECHNOLOGY BOND	\$ 3,960,000	\$ 1,110,195
General obligation bonds	Retirement Severance Bond		65,000	66,648
General obligation bonds	QSCB BOND		1,620,000	161,954
Notes and loans payable	Emergency Loan from State		4,500,000	1,042,500
Notes and loans payable	Common School Loan		<u>21,171</u>	<u>21,277</u>
Total governmental activities			<u>10,166,171</u>	<u>2,402,574</u>
Totals			<u>\$ 10,166,171</u>	<u>\$ 2,402,574</u>

BROWN COUNTY SCHOOLS
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	\$ 2,325,350
Infrastructure	120,000
Buildings	75,500,000
Improvements other than buildings	1,508,946
Machinery, equipment, and vehicles	966,000
Construction in progress	3,200,000
Books and other	<u>225,000</u>
Total governmental activities	<u>83,845,296</u>
Total capital assets	<u><u>\$ 83,845,296</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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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 BROWN COUNTY SCHOOLS, BROWN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

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 items 2014-003, 2014-004, 2014-005, 2014-006, and 2014-008. 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

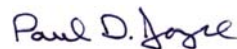
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over 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 2014-003, 2014-004, 2014-005, 2014-006, 2014-007, and 2014-008 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

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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.

BROWN COUNTY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	2012-2013 2013-2014	\$ 147,441 -	\$ - 159,094
Total for program			147,441	159,094
National School Lunch Program	10.555	2012-2013 2013-2014	547,863 -	- 585,747
Total for program			547,863	585,747
Total for cluster			695,304	744,841
Child Nutrition Discretionary Grants Limited Availability	10.579	2012-2013 2013-2014	3,946 -	- 5,891
Total for program			3,946	5,891
Total for federal grantor agency			699,250	750,732
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	2011-2012 2012-2013 2013-2014	63,171 262,050 -	- 148,979 277,729
Total for cluster			325,221	426,708
Special Education Cluster (IDEA)				
Special Education_ Grants to States	84.027	2011-2012 2012-2013 2013-2014	45,662 391,506 -	- 91,887 402,758
Total for program			437,168	494,645

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

BROWN COUNTY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Special Education Cluster (IDEA) (continued)				
Special Education_Preschool Grants	84.173			
		2012-2013	15,404	-
		2013-2014	-	14,679
			<u>15,404</u>	<u>14,679</u>
Total for program			<u>15,404</u>	<u>14,679</u>
Total for cluster			<u>452,572</u>	<u>509,324</u>
Pass-Through Monroe County Community School Corporation				
Adult Education - Basic Grants to States	84.002			
		2012-2013	18,226	-
		2013-2014	-	41,872
			<u>18,226</u>	<u>41,872</u>
Total for program			<u>18,226</u>	<u>41,872</u>
Pass-Through Indiana Department of Education				
Improving Teacher Quality State Grants	84.367			
		2011-2012	38,846	-
		2012-2013	30,171	53,675
		2013-2014	-	39,751
			<u>69,017</u>	<u>93,426</u>
Total for program			<u>69,017</u>	<u>93,426</u>
Education Jobs Fund	84.410			
		2012-2013	8,717	-
			<u>8,717</u>	<u>-</u>
Total for federal grantor agency			<u>873,753</u>	<u>1,071,330</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Purdue University				
Block Grants for Prevention and Treatment of Substance Abuse	93.959			
		2012-2013	14,665	-
			<u>14,665</u>	<u>-</u>
Total for federal grantor agency			<u>14,665</u>	<u>-</u>
Total federal awards expended			<u>\$ 1,587,668</u>	<u>\$ 1,822,062</u>

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

BROWN COUNTY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the 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	2013	2014
National School Lunch Program	10.555	\$ 71,209	\$ 71,122

BROWN COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; 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 1, Part A Cluster
Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?	no
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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 control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). Information for the SEFA was not reviewed for accuracy to see that all grants were included. 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.

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

During the audit of the SEFA, we noted the following errors: the May school lunch reimbursement was omitted; transfer of loans to correct negative balances were improperly included in disbursement totals; correction of a deposit in wrong funds was not reflected in SEFA; Education Jobs Fund grant and Blocks Grants for Prevention and Treatment of Substance Abuse were omitted. Audit adjustments were proposed, accepted by the School Corporation and made to the SEFA presented in this report.

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.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

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

- (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 2014-002 - FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to cash. The Treasurer prepares the bank reconciliation. The reconciliation is not reviewed by another individual after it has been completed. The failure to establish these controls could enable (material) misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
2. Self-Insurance Funds: The Financial Statement did not contain the financial activity of the Self-Funded Employee Benefits and Employee Flex Funds. This activity was material to the financial statement. Audit adjustments were proposed, accepted by the School Corporation and made to the financial statement presented in this report.

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 - ALLOWABLE COST/COST PRINCIPLES

Federal Agency: U.S. Department of Education

Federal Program: Special Education_Grants to States and Special Education_Preschool Grants

CFDA Number: 84.027 and 84.173

Federal Award Number and Year (or Other Identifying Number): 2011-2012, 2012-2013 and 2013-2014

Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirements that have a direct and material effect to 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 programs.

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

The School Corporation has not designed or implemented adequate policies or procedures to ensure that semiannual certifications and time and effort records are in compliance with program requirements. The Special Education Director failed to maintain time and effort records on some part-time employees and semiannual certifications on some full-time employees paid from the Special Education grant for the audit period.

OMB circular A 87, Attachment B, item 8(h), states in part:

- "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi- annually and will be signed by the employee or supervisory official having first -hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency."

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 enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the programs could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles. We also recommended that the School Corporation maintain time and effort records and semiannual certifications for all applicable employees.

FINDING 2014-004 - CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Special Education_Grants to States and Special Education_Preschool Grants
CFDA Number: 84.027 and 84.173
Federal Award Number and Year (or Other Identifying Number): 2012-2013
Pass-Through Entity: Indiana Department of Education

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 to 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 programs.

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

The School Corporation Treasurer generates a report entitled "Financial Report - Appropriation" for each grant award. This report was used to complete the Reimbursement Voucher. The Reimbursement Voucher was submitted to the Indiana Department of Education without being verified or reviewed by another person or another control in place to ensure its accuracy. There is no segregation of duties such as an oversight, review, or approval process.

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.

During our testing, one instance was discovered in which the reimbursement voucher reported grant expenditures before they were paid.

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."

34 CFR 80.21(d) states:

"Reimbursement. Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and sub grantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or sub grantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or sub grantee will be based on the grantee's or sub grantee's actual rate of disbursement."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of 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 over Cash Management requirements. We also recommended that expenditures are made prior to the request for reimbursement.

FINDING 2014-005 - MATCHING, LEVEL OF EFFORT, AND EARMARKING

Federal Agency: U.S. Department of Education

Federal Program: Special Education_Grants to States and Special Education_Preschool Grants

CFDA Number: 84.027 and 84.173

Federal Award Number and Year (or Other Identifying Number): 2011-2012, 2012-2013 and 2013-2014

Pass-Through Entity: Indiana Department of Education

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

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Matching, Level of Effort, and Earmarking.

As part of the grant application, the School Corporation is required to provide financial information for the Level of Effort requirement. Information was provided and the School Corporation met the Level of Effort requirement. The School Corporation did not retain supporting documentation for the information entered on the grant application to meet the Level of Effort requirement. Financial data carried from the prior year for the current application did not agree. There was no support provided to document why it did not agree.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a 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 programs. 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.

34 CFR section 300.203 states:

"(a) *General.* Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures or the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

(b) *Standard.*

- (1) Except as provided in paragraph (b)(2) of this section, the SEA must determine that an LEA complies with paragraph (a) of this section for purposes of establishing the LEA's eligibility for an award for a fiscal year if the LEA budgets, for the education of children with disabilities, at least the same total or per capita amount from either of the following sources as the LEA spent for that purpose from the same source for the most recent prior year for which information is available:
 - (i) Local funds only.
 - (ii) The combination of State and local funds.
- (2) An LEA that relies on paragraph (b)(1)(i) of this section for any fiscal year must ensure that the amount of local funds it budgets for the education of children with disabilities in that year is at least the same, either in total or per capita, as the amount it spent for that purpose in the most recent fiscal year for which information is available and the standard in paragraph (b)(1)(i) of this section was used to establish its compliance with this section.

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

- (3) The SEA may not consider any expenditures made from funds provided by the Federal Government for which the SEA is required to account to the Federal Government or for which the LEA is required to account to the Federal Government directly or through the SEA in determining an LEA's compliance with the requirement in paragraph (a) of this section."

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 enabled material noncompliance to go undetected. Noncompliance of 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 and comply with the grant agreement and compliance requirements listed above.

***FINDING 2014-006 - NATIONAL SCHOOL LUNCH PROGRAM AND SCHOOL
BREAKFAST PROGRAM ALLOWABLE COST/COST PRINCIPLES***

Federal Agency: U.S. Department of Agriculture

Federal Program: National School Lunch Program and School Breakfast Program

CFDA Number: 10.553 and 10.555

Federal Award Number and Year (or Other Identifying Number): 2012-2013 and 2013-2014

Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirements that have a direct and material effect to 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 programs.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that semiannual certifications and time and effort records are in compliance with program requirements. The Food Service Director failed to maintain semiannual certifications and time and effort records on all full and part-time employees paid from the School Lunch Fund for the audit period.

OMB circular A 87, Attachment B, item 8(h), states in part:

- "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi- annually and will be signed by the employee or supervisory official having first -hand knowledge of the work performed by the employee.

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

- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency."

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 enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the programs could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles. We also recommended that the School Corporation maintain time and effort records and semiannual certifications for all applicable employees.

FINDING 2014-007 - CASH MANAGEMENT, ELIGIBILITY, AND REPORTING

Federal Agency: U.S. Department of Agriculture

Federal Program: National School Lunch Program and School Breakfast Program

CFDA Number: 10.553 and 10.555

Federal Award Number and Year (or Other Identifying Number): 2012-2013 and 2013-2014

Pass-Through Entity: Indiana Department of Education

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, Eligibility, and Reporting compliance requirements that have a direct and material effect to 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 programs.

Cash Management

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch funds monthly cash balance was in compliance with the Cash Management requirements. An oversight or review process has not been established to ensure accurate Cash Management requirements are in place.

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

Eligibility

The Food Service Director performed the review and approval/disapproval of the free and reduced lunch applications using the food service software. The Food Service Director would then note on the back of the application the status of the determination and sign it. There was no evidence presented for audit that the Food Service Director's determination was reviewed for accuracy.

Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that requests for reimbursement, annual financial report, or other required reports were accurately prepared. The monthly reimbursement report is prepared by the Food Service Director and submitted electronically to the Indiana Department of Education's website. This report is not verified for accuracy prior to submission. There was no evidence of segregation of duties, such as an oversight or approval process.

The National School Lunch Program (NSLP) or annual financial report is prepared by the Food Service Director and submitted electronically to the Indiana Department of Education's website. This report is not verified for accuracy by anyone prior to submission.

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 programs. 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 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 listed above.

FINDING 2014-008 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Agriculture

Federal Program: School Breakfast Program and National School Lunch Program

CFDA Number: 10.553 and 10.555

Federal Award Number and Year (or Other Identifying Number): 2012-2013 and 2013-2014

Pass-Through Entity: Indiana Department of Education

BROWN COUNTY SCHOOLS
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 Procurement and Suspension and Debarment compliance requirements.

The School Corporation is one of nine school corporations that comprise the Southern Indiana Commodity Cooperative (Cooperative). These nine school corporations entered into an intermodal agreement to create cost and administrative savings related to the Child Nutrition Cluster programs. The Cooperative administers the procurement process; however, the individual member school corporations purchase their own food and related supplies. The Franklin Community School's Food Service Director is the coordinator of the Cooperative.

The Cooperative had not designed or implemented adequate policies and procedures to verify compliance with Procurement and Suspension and Debarment requirements related to vendors selected for procured products and covered transactions. Contracts were not prepared for awarded bids. Neither the Cooperative nor the individual school corporations had procedures in place to ensure compliance with Suspension and Debarment regulations before the individual school corporations entered into covered transactions. In addition, the School Corporation also had covered transactions with vendors other than those that were involved in the bidding process with the Cooperative itself. The School Corporation did not verify if those vendors were suspended or debarred.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a 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 programs. 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."

7 CFR 3016.36(b)(1) states: "Grantees and sub grantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

Indiana Code 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

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

2 CRF 180.300 states:

"What must I do before I enter into a covered transaction with another person at the next lower tier?

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

You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of 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, and comply with the Procurement and Suspension and Debarment requirements of the programs.

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AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



BROWN COUNTY SCHOOLS

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September 8, 2015

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Findings 2012-2

Original Assigned SBA Audit Report Number: B42021

Report Period: July 1, 2010 to June 30, 2012

Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education

Contact Person Responsible for Corrective Action: Carol S. Owens

Contact Phone Number: 812-988-6601 Ext. 1131

Status of Audit Finding: Reporting is uncorrected.

Special Tests and Provisions – Verification of Free and Reduced Price

Application is corrected.

Findings 2012-3

Original Assigned SBA Audit Report Number: B42021

Report Period: July 1, 2010 to June 30, 2012

Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education

Contact Person Responsible for Corrective Action: Carol S. Owens

Contact Phone Number: 812-988-6601 Ext. 1131

Status of Audit Finding: Corrected

Controls are not corrected.

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**Administration: Superintendent David Shaffer, Asst. Superintendent Dr. Dennis Goldberg
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Findings 2012-4

Original Assigned SBA Audit Report Number B42021

Report Period: July 1, 2010 to June 30, 2012

Pass-through Entity or Federal Grantor Agency: Indiana Department of Education

Contact Person Responsible for Corrective Action: Carol S. Owens

Contact Phone Number: 812-988-6601 Ext. 1131

Status of Audit Finding: Corrected

A handwritten signature in cursive script, reading "Carol S. Owens", written in black ink.

Carol S. Owens

Treasurer, Brown County Schools

September 1, 2015



BROWN COUNTY SCHOOLS

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CORRECTIVE ACTION PLAN

Audit Period 7/1/2012-6/30/2014

Finding 2014-001

Carol S. Owens, Treasurer
Brown County Schools
812-988-6601 Ext. 1131
sowens@brownco.k12.in.us

Brown County Schools has reviewed the Schedule of Expenditures of Federal Awards (SEFA) findings related to the audit for the years July 1, 2012 through June 30, 2014 and we offer the following corrective action plan. Please note this was the first time the State and or SBOA required schools to do this online by ourselves with no directions provided. Previously the SBOA prepared this information for the schools.

Federal regulations came down to the State Board of Accounts requiring schools to supply this information in the NEW Gateway online system for the State. Going forward we will comply with all Federal Grant regulations.

- A. All Federal Grants will be included in the SEFA. In order to accomplish this the Treasurer will:
 - a. Review the previous year's SEFA report and SBOA Annual Financial Report for Federal Grants listed
 - b. Review the previous periods Audit Report of Federal Grants
 - c. Prepare a Fund report and histories for the time period of the audit cycle of all federal grant fund numbers.
 - d. Compare all three reports to be sure all Federal Grants are reported.
- B. Each month, before closing the month, the Treasurer will review the Fund Report for accuracy of receipting of Federal Grant reimbursements. She will then compare this to the bi-weekly notification from the State Auditor of ACH deposits.

Anticipated Completion Date: 11/30/2015

Name

Treasurer

Title

October 28, 2015

Date

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BROWN COUNTY SCHOOLS

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Finding 2014-002

Carol S. Owens, Treasurer
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812-988-6601 Ext. 1131
sowens@brownco.k12.in.us

Brown County Schools has reviewed the Federal Financial Statement Findings related to the audit for the years July 1, 2012- June 30, 2014 and we offer the following corrective action plan with regard to the Internal Controls over Financial Transactions and Reporting.

- A. Segregation of Duties -The Bank Reconciliation statement will be reviewed monthly by either the Asst. Superintendent or the Superintendent for accuracy. Signatures will be placed on the final reconciliation report for each month, confirming their review for accuracy.
- B. Self-Insurance Funds – Brown County Schools will begin including the Flex Fund and Health Trust Fund revenue, expenses, and ending balances each month in the schools Financial Fund Report. We will do this each month using journal entries. I have contacted our software provider and Dunn and Associates our third party administrator for the Brown County Schools Health Trust Plan and they will adjust their reports to provide the requested information to comply with the SBOA Findings. We will implement on the first of November 2016 first Fund Report.

Anticipated Completion Date: 11/30/2015



Name

Treasurer

Title

October 28, 2015

Date

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BROWN COUNTY SCHOOLS

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Findings 2014-003

Carol S. Owens, Treasurer
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Brown County Schools has reviewed the Federal Findings related to the audit for the years July 1, 2012 – June 30, 2014 and we offer the following corrective action plan for the Special Education Preschool Allowable Cost/Cost Principles Finding.

1. The Director of Student Services will be attentive to the Time and Effort requirements for all Federal Grants, and will make certain they are filed appropriately and in an organized file record. Please note, only one was missing out of the eight individuals he must prepare these for.
2. The Time and Effort calculations document will be shared with the Treasurer, for her Federal Grant files as well.
3. The Director of Student Services will present their work to the Treasurer; the Treasurer will either accept or reject the work.

Anticipated Completion Date: 11/30/2015

Carol S. Owens

Name

Treasurer

Title

October 28, 2015

Date

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BROWN COUNTY SCHOOLS

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Findings 2014-004
Carol S. Owens
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sowens@brownco.k12.in.us

Brown County Schools has reviewed the Federal Findings related to the audit for the year July 1, 2012 – June 30, 2014 and we offer the following corrective action plan for the Special Education Preschool Cash Management Finding.

Copies of all Federal Grant reimbursement forms will be given to the Payroll Coordinator as prepared, who writes the receipts for the corporation. Each reimbursement form will list the Fund account number for receipting purposes.

ACH documentation which is emailed to the Treasurer bi-weekly will be reviewed to correspond to the reimbursement form previously submitted. Fund account numbers will be listed on the ACH and shared with Payroll Coordinator. The Payroll Coordinator will then receipt as each Federal reimbursement is received reviewing each ACH to the receipt before posting.

The Treasurer will review all federal fund deposits and expenditures before the end of the month, to verify all receipts and expenditures are posted correctly.

Anticipated Completion Date: 11/30/2015

Name

Treasurer

Title

10/29/2015

Date

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BROWN COUNTY SCHOOLS

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Findings 2014-005

Carol S. Owens, Treasurer
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sowens@brownco.k12.in.us

Brown County Schools has reviewed the Federal Findings related to the audit for the year July 1, 2012 - June 30, 2014 and we offer the following corrective action plan for the Special Education Preschool Matching, Level of Effort and Earmarking Finding.

1. Director of Student Services (DSS) will gather pertinent allocation and fund amount information from Superintendent, Asst. Superintendent, Title I Director, and Treasurer and prepare the Maintenance of Effort document. The documentation will then be electronically saved in a file on his computer, as well as a file folder marked for the proposed upcoming year. Retention of all support documentation for the grant will be kept in the appropriate file. A paper copy will be kept in his file.
2. The DSS will contact the State Agency to determine the next year's allocation and fund amount information for each of the Federal grants.
3. Preparation will begin by the Treasurer on the proposed budget lines for the coming year. DSS will notify the Treasurer which teachers will be in the upcoming grant.
4. Maintenance of Effort documentation will be prepared by the DSS based on the identified information to populate the MOE calculator.
5. The Treasurer will ask the DSS to review the proposed allocations before placing in grant application.
6. The DSS will review the proposal and revise as necessary. After final review and DSS authorization the budget information will be placed in the appropriate Federal grant application for the next year.
7. The DSS will complete the application and submit to State Agency.
8. Reimbursement claims for grants will be prepared by Treasurer and reviewed by either one of the central office Administrators: Director of Student Services; Title I Director; Asst. Superintendent; Director of Technology, and or Superintendent. The Treasurer will submit reimbursement forms to State, after review and/or revisions are made.
9. Copies of Reimbursement forms will be given to Payroll Coordinator (PC) who will keep it in her files, awaiting ACH email from Treasurer.
10. The Treasurer will give the ACH email (marked by Treasurer with appropriate Fund number) to PC who will then review the ACH revenue deposited with the submitted reimbursement forms for accuracy. Being sure to receipt to appropriate account lines.
11. Before closing the end of the month, the Treasurer will review the distributions and reimbursements in each Federal Grant for accuracy.

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Anticipated Completion Date: 11/30/2015

Carol S. Rivers

Name

Treasurer

Title

10.29.2015

Date



BROWN COUNTY SCHOOLS

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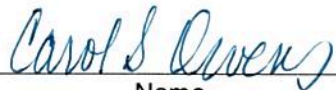
Findings 2014-006

Carol S. Owens, Treasurer
Brown County Schools
812-988-6601 Ext. 1131
sowens@brownco.k12.in.us

Brown County Schools has reviewed the Federal Findings related to the audit for the year July 1, 2012 - June 30, 2014 and we offer the following corrective action plan for the Internal Controls over National School Lunch Program and School Breakfast Program Allowable Cost/Cost Principles

1. Our current Cashflows will be adjusted to ensure we capture the portion of part time custodial staff hourly earnings, and benefits for all food service duties which are paid from the Federal National School Lunch Program and School Breakfast Program. Previously the Cashflows did not break the full time staff and part time staff apart.
2. Each Principal will prepare a Maintenance of Effort document (monthly) which will be a signed statement (Principal and Custodian) who work a portion of their time each day, working in the cafeterias. This must be done twice a year, and sent to Food Service Director for Internal Controls for our part time (food service) custodial staff.
3. The Food Service Director will prepare a Maintenance of Effort document for all Food Service full time staff (semi-annually for full-time) (monthly for part-time) which will be a signed statement (Employee and Director) who works in the cafeterias. This must be done twice a year, and sent to the Treasurer for Internal Controls for all staff.

Anticipated Completion Date: 11/30/2015



Name

Treasurer

Title

October 28, 2015

Date

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BROWN COUNTY SCHOOLS

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Findings 2014-007

Carol S. Owens, Treasurer
Brown County Schools
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sowens@brownco.k12.in.us

Brown County Schools has reviewed the Federal Findings related to the audit for the year July 1, 2012 - June 30, 2014 and we offer the following corrective action plan for the Internal Controls over Cash Management, Eligibility, and Reporting.

1. Cash Management: Cash flows are prepared monthly by the Treasurer, and shared with the Food Service Director and Asst. Superintendent. The Food Service Director reviews these as they come to him. At that time if he has questions he will discuss these with the Treasurer. Afterwards, he will sign off on the cashflows (date and signature) and return them to the Treasurer for her files, keeping a copy for himself. The Asst. Superintendent reviews these too. He might make suggestions to the Food Service director or the Treasurer, depending on the numbers shown for the cash flow.
2. Eligibility: Reviewing of All Free and Reduced Applications will be processed first by the Director of Food Service using MyPaymentsPlus, and then reviewed a second time for accuracy by a second person, either one of the Head Cooks in the Nashville Campus, or someone in the central office. When the document is reviewed the second time, the person reviewing will initial and date the document they reviewed.
3. Reporting: The Director of Food Service will prepare all reimbursements; annual financial report; and required reports to the State or Federal Government. These documents will be reviewed a second time for accuracy by a Head Cook, or someone in the central office before submission electronically. When the document is reviewed the second time the person reviewing will initial and date the document they reviewed.
4. The Corporation Treasurer will monitor these requirements to ensure compliance.

Anticipated Completion Date: 11/30/2015

Carol S. Owens
Name

Treasurer
Title

October 28, 2015
Date

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BROWN COUNTY SCHOOLS

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Findings 2014-008

Carol S. Owens, Treasurer
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sowens@brownco.k12.in.us

Brown County Schools has reviewed the Federal Findings related to the audit for the year July 1, 2012 - June 30, 2014 and we offer the following corrective action plan for the National School Lunch Program and School Breakfast program. Brown County Schools will review the procurement, suspension and debarment of all our vendors' services, in collaboration with the Southern Indiana Commodity Cooperative.

A corrective plan will be developed **in conjunction** with the other members of the Southern Indiana Commodity Cooperative, and specifically with Franklin Community School's Food Service Director to deal with the Child Nutrition Cluster Programs policies and processes. Afterwards procedures will be developed and implemented insuring compliance for Brown County Schools Food Service Fund.

Anticipated Completion Date: 11/30/2015

Name

Treasurer

Title

October 28, 2015

Date

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OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.