

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
LINTON-STOCKTON SCHOOL CORPORATION
GREENE COUNTY, INDIANA
July 1, 2013 to June 30, 2015



FILED
09/12/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2015-001	
Special Education Cluster (IDEA) - Allowable Costs/Cost Principles	4-5
Finding 2015-002	
Special Education Cluster (IDEA) - Reporting.....	5-6
Finding 2015-003	
Special Education Cluster (IDEA) - Procurement and Suspension and Debarment.....	6-8
Finding 2015-004	
School Breakfast Program and National School Lunch Program - Cash Management.....	8-9
Finding 2015-005	
National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity.....	10-11
Corrective Action Plan.....	12-16
Audit Result and Comment:	
Prepaid Lunch Fund	17
Exit Conference.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carla Gambill	07-01-13 to 06-30-18
Superintendent of Schools	Nicholas G. Karazsia	07-01-13 to 06-30-18
President of the School Board	Ralph Witty	07-01-13 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

This report is supplemental to our audit report of the Linton-Stockton School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

August 7, 2017

LINTON-STOCKTON SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-24-PN01, 14213-24-PN01,
14214-24-PN01, 99914-24-PN01,
14215-24-PN01, 45713-024-PN-01,
45714-024-PN-01, 45715-024-PN-01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grants. There was no oversight of the Cooperative by the School Corporation. Each member school is ultimately responsible for ensuring compliance with the requirements.

The School Corporation had not established an internal control system to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. The School Corporation failed to keep the necessary documentation relating to Circular A-87 for time and effort reporting. For those employees that were paid entirely from the Special Education program, the Cooperative did not submit Semi-Annual Certification.

Context

There were no Semi-Annual Certification completed during the audit period.

Criteria

OMB Circular A-87, Attachment B, Section 8h(3) states:

"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."

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. . . ."

LINTON-STOCKTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured the School Corporation complied with the Allowable Costs/Cost Principles compliance requirement concerning time and effort reporting.

Effect

The failure to establish an effective internal control system enabled noncompliance to occur. Noncompliance with the Allowable Costs/Cost Principles compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-002

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-24-PN01, 14213-24-PN01,
14214-24-PN01, 99914-24-PN01,
45713-024-PN-01, 45714-024-PN-01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Condition

The School Corporation was a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grants. There was no oversight of the Cooperative by the School Corporation. Each member school is ultimately responsible for ensuring compliance with the requirements.

The School Corporation had not established an effective internal control system over their Special Education Program related to the Reporting compliance requirement. Reimbursement Requests were prepared and filed by the Cooperative Treasurer with no oversight, review, or approval process or other compensating control.

LINTON-STOCKTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

Controls did not exist over the compliance requirement of Reporting for Reimbursement Requests for the 2013-2014 school year.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that would have ensured the School Corporation complied with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system could have enabled noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the Reporting requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-003

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-24-PN01, 14214-24-PN01,
14215-24-PN01, 45714-024-PN-01,
45715-024-PN-01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

LINTON-STOCKTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation was a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school is ultimately responsible for ensuring compliance with the requirements.

An effective internal control system was not in place to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have procedures in place to verify that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to entering into a contract with them.

Context

The School Corporation did not verify that vendors were not suspended or debarred prior to awarding the contracts with 100 percent of applicable vendors for the 2014-2015 school year.

Criteria

2 CFR 180.300 states:

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

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. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Procurement and Suspension and Debarment requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation

LINTON-STOCKTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-004

Subject: School Breakfast Program and National School Lunch Program - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): 2013-2014, 2014-2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the Cash Management compliance requirement. The School Corporation had not designed or implemented adequate policies and procedures to ensure that the cash balance (Net Cash Resources) in the School Lunch fund did not exceed the three months average expenditures.

The School Corporation Food Service maintained a cash balance (Net Cash Resources) in excess of federal regulations. The three months average expenditures for the fiscal year ending June 30, 2014, was \$148,478. The cash balance (Net Cash Resources) at June 30, 2014, was \$379,395, resulting in cash balances (Net Cash Resources) in excess of \$230,917. The three months average expenditures for the fiscal year ending June 30, 2015, was \$176,217. The cash balance (Net Cash Resources) at June 30, 2015, was \$374,558, resulting in cash balances (Net Cash Resources) in excess of \$198,341.

Context

The monthly ending balance (Net Cash Resources) in the School Lunch fund exceeded the three months average expenditures during 24 of the 24 months of the audit period.

Criteria

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. . . ."

LINTON-STOCKTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 220.7(e) states in part:

"Each school fund authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

(iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

7 CFR section 210.14(b) states:

"*Net cash resources.* The School Food Authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with section 210.19(a)."

Cause

Management had not developed and followed an effective system of internal controls that segregated key functions, or developed and implemented a plan to reduce the cash balances (Net Cash Resources) of the School Lunch fund to an amount that did not exceed the three months average expenditures.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above and that the School Corporation's management comply with the Cash Management requirements of the programs.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

LINTON-STOCKTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-005

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): 2013-2014, 2014-2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure that the weighted average paid lunch price calculations were completed and that the paid lunch prices were established accordingly.

Context

The School Corporation did not perform the required paid lunch equity or its weighted average price calculations for the 2013-2014 school year.

The weighted-average price calculation for the 2014-2015 school year was performed; however, the calculation was incorrect. The School Corporation calculated the weighted average lunch price to be \$2.50; however, the weighted average lunch price should have been \$2.59.

Criteria

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 210.14(e) states in part:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);

LINTON-STOCKTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

LINTON-STOCKTON SCHOOL CORPORATION

Superintendent

Nicholas G. Karazsia

Board Members

Clint House
Les Newman
Mike Perigo
John Preble
Ralph Witty

CORRECTION ACTION PLAN

Finding 2015-001

Contact Person Responsible for Corrective Action: Claudia Walker, Treasurer, Greene-Sullivan Special Education Cooperative, Sarah Sparks, Director of Special Education, Greene-Sullivan Special Education Cooperative, Carla Gambill, Treasurer, Linton-Stockton School Corporation, and Nicholas Karazsia, Superintendent, Linton-Stockton School Corporation

Contact Phone Number: (812) 847-8497 and (812) 847-6020

Views of Responsible Officials: We concur with the finding.

Description of Correction Action Plan:

- Greene-Sullivan Special Education Cooperative has revised internal controls regarding completion of semi-annual certification reports to require completion of the Semi-Annual Certification reports in July and December. Those reports will be approved by the Director of the Greene-Sullivan Special Education Cooperative and a copy of the approved reports will be provided to the Treasurer of Linton-Stockton School Corporation no later than July 31 and December 31 of each calendar year.

Anticipated Completion Date: Immediate



Sarah Sparks, Director of Special Education
Greene-Sullivan Special Education
Cooperative



Claudia Walker, Treasurer
Greene-Sullivan Special Education
Cooperative



Carla Gambill, Treasurer
Linton-Stockton School Corporation



Nicholas Karazsia, Superintendent
Linton-Stockton School Corporation



HOME
OF THE
MINERS

801 N.E. 1st Street, Linton, IN 47441 (812) 847-6020 FAX (812) 847-8659

LINTON-STOCKTON SCHOOL CORPORATION

Superintendent

Nicholas G. Karazsia

Board Members

Clint House
Les Newman
Mike Perigo
John Preble
Ralph Witty

CORRECTION ACTION PLAN

Finding 2015-002

Contact Person Responsible for Corrective Action: Claudia Walker, Treasurer, Greene-Sullivan Special Education Cooperative, Sarah Sparks, Director of Special Education, Greene-Sullivan Special Education Cooperative, Carla Gambill, Treasurer, Linton-Stockton School Corporation, and Nicholas Karazsia, Superintendent, Linton-Stockton School Corporation

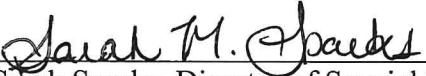
Contact Phone Number: (812) 847-8497

Views of Responsible Officials: We concur with the finding.

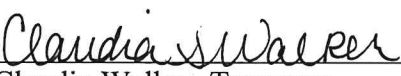
Description of Correction Action Plan:

- Greene-Sullivan Special Education Cooperative has revised the internal controls involving reimbursement requests to require the review and approval of each reimbursement request by the Director of the Greene-Sullivan Special Education Cooperative prior to submitting the reimbursement request. The Treasurer of Greene-Sullivan Special Education Cooperative will provide the Treasurer of Linton-Stockton School Corporation a copy of each approved reimbursement request.

Anticipated Completion Date: Immediate



Sarah Sparks, Director of Special Education
Greene-Sullivan Special Education
Cooperative



Claudia Walker, Treasurer
Greene-Sullivan Special Education
Cooperative



Carla Gambill, Treasurer
Linton-Stockton School Corporation



Nicholas Karazsia, Superintendent
Linton-Stockton School Corporation



**HOME
OF THE
MINERS**

801 N.E. 1st Street, Linton, IN 47441 (812) 847-6020 FAX (812) 847-8659

LINTON-STOCKTON SCHOOL CORPORATION

Superintendent

Nicholas G. Karazsia

Board Members

Clint House
Les Newman
Mike Perigo
John Preble
Ralph Witty

CORRECTION ACTION PLAN

Finding 2015-003

Contact Person Responsible for Corrective Action: Claudia Walker, Treasurer, Greene-Sullivan Special Education Cooperative, Sarah Sparks, Director of Special Education, Greene-Sullivan Special Education Cooperative, Carla Gambill, Treasurer, Linton-Stockton School Corporation, and Nicholas Karazsia, Superintendent, Linton-Stockton School Corporation

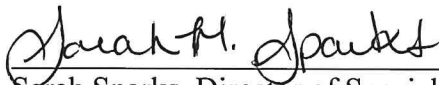
Contact Phone Number: (812) 847-8497

Views of Responsible Officials: We concur with the finding.

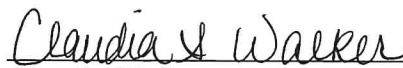
Description of Correction Action Plan:

- Greene-Sullivan Special Education Cooperative has revised internal controls regarding purchasing with federal dollars to include a search for the proposed vendor name on the federal website. A copy of each vendor search will be maintained in the vendor files. If the vendor is suspended or debarred, a contract will not be awarded. The vendor searches will be available for inspection by the Treasurer and/or Superintendent of Linton-Stockton School Corporation at all times.

Anticipated Completion Date: Immediate



Sarah Sparks, Director of Special Education
Greene-Sullivan Special Education
Cooperative



Claudia Walker, Treasurer
Greene-Sullivan Special Education
Cooperative



Carla Gambill, Treasurer
Linton-Stockton School Corporation



Nicholas Karazsia, Superintendent
Linton-Stockton School Corporation



HOME
OF THE
MINERS

801 N.E. 1st Street, Linton, IN 47441 (812) 847-6020 FAX (812) 847-8659

LINTON-STOCKTON SCHOOL CORPORATION

Superintendent

Nicholas G. Karazsia

Board Members

Clint House
Les Newman
Mike Perigo
John Preble
Ralph Witty

CORRECTION ACTION PLAN

Finding 2015-004

Contact Person Responsible for Corrective Action: Jessica Taylor, Food Service Director

Contact Phone Number: (812) 847-6020

Views of Responsible Officials: We concur with the finding.

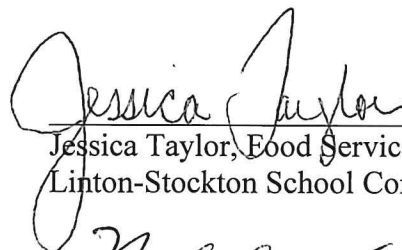
Description of Correction Action Plan:

- In June and July of 2017, the Food Service Director completed a renovation of the flooring in the High School Auditoria and a renovation in the Elementary Cafeteria and Kitchen, which included painting and flooring.
- The Food Service Director plans to replace equipment in the high school and the elementary kitchens, which will decrease the cash balance in School Lunch.
- The Food Service Director will apply for a waiver for the 2018-2019 school year to avoid raising breakfast and lunch prices based on the excess cash balance.
- The Food Service Director will research different food options that may be made available to our staff and students that will increase costs and thereby decrease the excess cash balance.

Anticipated Completion Date: Immediate



Carla Gambill, Treasurer
Linton-Stockton School Corporation



Jessica Taylor, Food Service Director
Linton-Stockton School Corporation



Nicholas Karazsia, Superintendent
Linton-Stockton School Corporation



HOME
OF THE
MINERS

801 N.E. 1st Street, Linton, IN 47441 (812) 847-6020 FAX (812) 847-8659

LINTON-STOCKTON SCHOOL CORPORATION

Superintendent

Nicholas G. Karazsia

Board Members

Clint House
Les Newman
Mike Perigo
John Preble
Ralph Witty

CORRECTION ACTION PLAN

Finding 2015-005

Contact Person Responsible for Corrective Action: Jessica Taylor, Food Service Director, and Carla Gambill, Treasurer

Contact Phone Number: (812) 847-6020

Views of Responsible Officials: We concur with the finding.

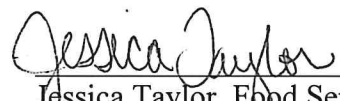
Description of Correction Action Plan:

- Internal Controls have been revised to provide that the Food Service Director will continue to prepare the Paid Lunch Equity calculations; however, those calculations will be provided to the Corporation Treasurer for approval and verification that the calculated amount is correct prior to submission to the state.
- Internal Controls have also been revised to include the requirement of retaining supporting documentation in the file with the report.

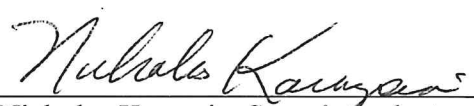
Anticipated Completion Date: Immediate



Carla Gambill, Treasurer
Linton-Stockton School Corporation



Jessica Taylor, Food Service Director
Linton-Stockton School Corporation



Nicholas Karazsia, Superintendent
Linton-Stockton School Corporation



**HOME
OF THE
MINERS**

801 N.E. 1st Street, Linton, IN 47441 (812) 847-6020 FAX (812) 847-8659

LINTON-STOCKTON SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

Prepaid Lunch Fund

The School Corporation did not comply with state requirements for accounting for program income generated from the operation of the food service program. All receipts from sales, as well as prepayments, were recorded directly into the School Lunch fund. Prepayments were not recorded in a Prepaid Food fund and regularly allocated to the appropriate School Lunch fund during the audit period.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. (The School Bulletin and Uniform Compliance Guidelines, Vol.211)

LINTON-STOCKTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 7, 2017, with Carla Gambill, Treasurer; Nicholas G. Karazsia, Superintendent of Schools; Ralph Witty, President of the School Board; and John Preble, School Board member.