

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

RUSH COUNTY SCHOOLS
RUSH COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED

01/16/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement	12-16
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	18-27
Schedule of Leases and Debt	28
Schedule of Capital Assets.....	29
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	32-33
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	37
Notes to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39-50
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	52-53
Corrective Action Plan	54-58
Other Reports.....	59

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Holloway Nathaniel D. Day Bryce Welsh	07-01-13 to 10-31-13 11-01-13 to 06-30-15 07-01-15 to 06-30-18
Superintendent of Schools	Dr. John E. Williams Matt Vance	07-01-13 to 06-30-14 07-01-14 to 06-30-18
President of the School Board	Paul W. Barada Jeff Slaton Dr. Steve Sickbert	01-01-13 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Rush County Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, 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 from 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 to 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, 2013 to June 30, 2015.

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, 2013 to June 30, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2017, 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 29, 2017



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Rush County Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated November 29, 2017, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation'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 2015-001 and 2015-002 to be material weaknesses.

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

Compliance and Other Matters

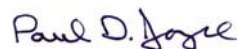
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 2015-002.

Rush County Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

November 29, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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RUSH COUNTY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments		
	07-01-13	Receipts	Disbursements		06-30-14	Receipts	Disbursements		06-30-15		
General	\$ 2,283,190	\$ 15,602,302	\$ 16,530,698	\$ -	\$ 1,354,794	\$ 15,216,739	\$ 15,763,605	\$ -	\$ 807,928		
Debt Service	1,116,994	2,261,763	2,165,000	-	1,213,757	2,296,764	2,165,000	-	1,345,521		
Capital Projects	1,451,589	2,526,240	1,835,034	-	2,142,795	2,359,388	2,857,415	-	1,644,768		
School Transportation	535,888	1,952,529	2,167,059	-	321,358	2,101,277	1,944,332	-	478,303		
School Bus Replacement	234,245	375,102	657,295	8,250	(39,698)	408,620	22,207	(63,000)	283,715		
Rainy Day	2,042,000	-	-	-	2,042,000	-	63,000	63,000	2,042,000		
School Lunch	599,574	1,532,197	1,463,343	-	668,428	1,761,115	1,880,307	-	549,236		
Textbook Rental	231,279	311,395	254,140	-	288,534	266,136	246,993	-	307,677		
Educational License Plates	5,211	338	895	-	4,654	394	2,708	-	2,340		
Early Intervention Grant	1,800	-	-	-	1,800	-	-	-	1,800		
Memorial Fund Donations	165	-	-	-	165	-	-	-	165		
Extra-Curricular Activities	1,275	5,788	9,190	-	(2,127)	-	4,204	-	(6,331)		
Miscellaneous Programs	-	200	-	-	200	-	-	-	200		
Outdoor Nature Lab	806	389	742	-	453	466	-	-	919		
Secured Schools Safety Grant	-	-	-	-	-	50,000	50,000	-	-		
School Technology	1,336	-	1,336	-	-	2,015	-	-	2,015		
Construction, Remodeling, and Equipping Buildings	236,488	6,584	34,745	-	208,327	-	208,327	-	-		
High Ability 12-13	10,000	-	10,000	-	-	-	-	-	-		
High Ability 14-15	-	35,655	2,793	-	32,862	36,329	13,421	-	55,770		
DFS & Community (LLC)	9,270	15,899	12,851	-	12,318	18,990	12,949	-	18,359		
Technology - Rebates	105,867	27,033	43,023	-	89,877	29,921	132,274	-	(12,476)		
Title I 2012-13	(10,262)	81,094	70,832	-	-	71,694	-	-	71,694		
Title I 2013-14	-	304,113	329,931	-	(25,818)	127,778	97,470	-	4,490		
Title I 2014-15	-	-	-	-	-	213,578	275,487	-	(61,909)		
IDEA	(28,155)	144,205	116,050	-	-	-	-	-	-		
CFR - Part B 2013-14	-	236,260	383,699	-	(147,439)	227,642	86,966	-	(6,763)		
Part B 2014-15	-	-	-	-	-	332,305	454,060	-	(121,755)		
Part B 2015-16	-	-	-	-	-	-	5,842	-	(5,842)		
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	20,693	-	-	-	20,693	-	7,269	-	13,424		
Special Ed Technical Assistance	-	-	13,937	-	(13,937)	14,141	136	-	68		
CFR - Part B Preschool 2013-14	-	20,039	21,089	-	(1,050)	-	-	-	(1,050)		
Improving Teaching Quality, No Child Left, Title II, Part A	(156,579)	262,776	107,743	-	(1,546)	1,546	-	-	-		
Title II 2012-14	-	109,658	57,759	-	51,899	-	51,899	-	-		
Title II 2013-15	-	-	-	-	-	-	111,306	-	(111,306)		
RC College Success Coalition	-	9,133	-	-	9,133	222	9,355	-	-		
Payroll Withholding	582,583	5,105,111	5,099,919	-	587,775	4,850,853	4,881,230	-	557,398		
Totals	\$ 9,275,257	\$ 30,925,803	\$ 31,389,103	\$ 8,250	\$ 8,820,207	\$ 30,387,913	\$ 31,347,762	\$ -	\$ 7,860,358		

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

RUSH COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, the following: 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. Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

RUSH COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts. Amounts received from various sources, including, but not limited to, the following: 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. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other Financing Sources and Uses

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

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

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

RUSH COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Transfers out. Amounts 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

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

RUSH COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

RUSH COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
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. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of disbursements exceeding receipts due to the underestimation of current requirements or funds being set up as reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2014 and 2015.

Note 8. Holding Corporation

The School Corporation has entered into capital leases with Rush County Elementary 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 during the years 2013-2014 and 2014-2015 totaled \$2,165,000 for each year.

OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. 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 School Corporation's Financial Reports 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.

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,283,190	\$ 1,116,994	\$ 1,451,589	\$ 535,888	\$ 234,245	\$ 2,042,000	\$ 599,574	\$ 231,279
Receipts:								
Local sources	174,836	2,261,763	2,521,040	1,920,455	375,102	-	710,887	222,695
Intermediate sources	907	-	-	-	-	-	-	-
State sources	15,411,675	-	-	-	-	-	-	88,700
Federal sources	-	-	-	-	-	-	821,310	-
Other receipts	14,884	-	5,200	32,074	-	-	-	-
Total receipts	15,602,302	2,261,763	2,526,240	1,952,529	375,102	-	1,532,197	311,395
Disbursements:								
Instruction	11,040,435	-	-	-	-	-	-	-
Support services	5,098,270	-	666,134	2,167,059	657,295	-	-	254,140
Noninstructional services	391,993	-	-	-	-	-	1,463,343	-
Facilities acquisition and construction	-	-	1,168,900	-	-	-	-	-
Debt service	-	2,165,000	-	-	-	-	-	-
Total disbursements	16,530,698	2,165,000	1,835,034	2,167,059	657,295	-	1,463,343	254,140
Excess (deficiency) of receipts over disbursements	(928,396)	96,763	691,206	(214,530)	(282,193)	-	68,854	57,255
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	8,250	-	-	-
Total other financing sources (uses)	-	-	-	-	8,250	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(928,396)	96,763	691,206	(214,530)	(273,943)	-	68,854	57,255
Cash and investments - ending	\$ 1,354,794	\$ 1,213,757	\$ 2,142,795	\$ 321,358	\$ (39,698)	\$ 2,042,000	\$ 668,428	\$ 288,534

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

	<u>Educational License Plates</u>	<u>Early Intervention Grant</u>	<u>Memorial Fund Donations</u>	<u>Extra- Curricular Activities</u>	<u>Miscellaneous Programs</u>	<u>Outdoor Nature Lab</u>	<u>Secured Schools Safety Grant</u>	<u>School Technology</u>
Cash and investments - beginning	\$ 5,211	\$ 1,800	\$ 165	\$ 1,275	\$ -	\$ 806	\$ -	\$ 1,336
Receipts:								
Local sources	-	-	-	5,788	200	389	-	-
Intermediate sources	338	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>338</u>	<u>-</u>	<u>-</u>	<u>5,788</u>	<u>200</u>	<u>389</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	895	-	-	5,590	-	742	-	1,336
Support services	-	-	-	3,600	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	<u>895</u>	<u>-</u>	<u>-</u>	<u>9,190</u>	<u>-</u>	<u>742</u>	<u>-</u>	<u>1,336</u>
Excess (deficiency) of receipts over disbursements	<u>(557)</u>	<u>-</u>	<u>-</u>	<u>(3,402)</u>	<u>200</u>	<u>(353)</u>	<u>-</u>	<u>(1,336)</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(557)</u>	<u>-</u>	<u>-</u>	<u>(3,402)</u>	<u>200</u>	<u>(353)</u>	<u>-</u>	<u>(1,336)</u>
Cash and investments - ending	<u>\$ 4,654</u>	<u>\$ 1,800</u>	<u>\$ 165</u>	<u>\$ (2,127)</u>	<u>\$ 200</u>	<u>\$ 453</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Construction, Remodeling, and Equipping Buildings	High Ability 12-13	High Ability 14-15	DFS & Community (LLC)	Technology - Rebates	Title I 2012-13	Title I 2013-14
Cash and investments - beginning	\$ 236,488	\$ 10,000	\$ -	\$ 9,270	\$ 105,867	\$ (10,262)	\$ -
Receipts:							
Local sources	6,584	-	-	15,899	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	35,655	-	27,033	-	-
Federal sources	-	-	-	-	-	81,094	304,113
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>6,584</u>	<u>-</u>	<u>35,655</u>	<u>15,899</u>	<u>27,033</u>	<u>81,094</u>	<u>304,113</u>
Disbursements:							
Instruction	-	10,000	2,793	12,851	43,023	70,827	329,540
Support services	-	-	-	-	-	5	391
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	34,745	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total disbursements	<u>34,745</u>	<u>10,000</u>	<u>2,793</u>	<u>12,851</u>	<u>43,023</u>	<u>70,832</u>	<u>329,931</u>
Excess (deficiency) of receipts over disbursements	<u>(28,161)</u>	<u>(10,000)</u>	<u>32,862</u>	<u>3,048</u>	<u>(15,990)</u>	<u>10,262</u>	<u>(25,818)</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(28,161)</u>	<u>(10,000)</u>	<u>32,862</u>	<u>3,048</u>	<u>(15,990)</u>	<u>10,262</u>	<u>(25,818)</u>
Cash and investments - ending	<u>\$ 208,327</u>	<u>\$ -</u>	<u>\$ 32,862</u>	<u>\$ 12,318</u>	<u>\$ 89,877</u>	<u>\$ -</u>	<u>\$ (25,818)</u>

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

	Title I 2014-15	IDEA	CFR - Part B 2013-14	Part B 2014-15	Part B 2015-16	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Special Ed Technical Assistance
Cash and investments - beginning	\$ -	\$ (28,155)	\$ -	\$ -	\$ -	\$ 20,693	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	144,205	236,260	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	144,205	236,260	-	-	-	-
Disbursements:							
Instruction	-	100,250	301,475	-	-	-	13,937
Support services	-	15,800	82,224	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total disbursements	-	116,050	383,699	-	-	-	13,937
Excess (deficiency) of receipts over disbursements	-	28,155	(147,439)	-	-	-	(13,937)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	28,155	(147,439)	-	-	-	(13,937)
Cash and investments - ending	\$ -	\$ -	\$ (147,439)	\$ -	\$ -	\$ 20,693	\$ (13,937)

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

	CFR - Part B Preschool 2013-14	Improving Teaching Quality, No Child Left, Title II, Part A	Title II 2012-14	Title II 2013-15	RC College Success Coalition	Payroll Withholding	Totals
Cash and investments - beginning	\$ -	\$ (156,579)	\$ -	\$ -	\$ -	\$ 582,583	\$ 9,275,257
Receipts:							
Local sources	-	-	-	-	-	-	8,215,638
Intermediate sources	-	-	-	-	-	-	1,245
State sources	-	-	-	-	-	-	15,563,063
Federal sources	20,039	-	109,658	-	9,133	-	1,725,812
Other receipts	-	262,776	-	-	-	5,105,111	5,420,045
Total receipts	20,039	262,776	109,658	-	9,133	5,105,111	30,925,803
Disbursements:							
Instruction	-	-	-	-	-	-	11,933,694
Support services	21,089	107,743	57,759	-	-	-	9,131,509
Noninstructional services	-	-	-	-	-	5,099,919	6,955,255
Facilities acquisition and construction	-	-	-	-	-	-	1,203,645
Debt service	-	-	-	-	-	-	2,165,000
Total disbursements	21,089	107,743	57,759	-	-	5,099,919	31,389,103
Excess (deficiency) of receipts over disbursements	(1,050)	155,033	51,899	-	9,133	5,192	(463,300)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	8,250
Total other financing sources (uses)	-	-	-	-	-	-	8,250
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,050)	155,033	51,899	-	9,133	5,192	(455,050)
Cash and investments - ending	\$ (1,050)	\$ (1,546)	\$ 51,899	\$ -	\$ 9,133	\$ 587,775	\$ 8,820,207

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,354,794	\$ 1,213,757	\$ 2,142,795	\$ 321,358	\$ (39,698)	\$ 2,042,000	\$ 668,428	\$ 288,534
Receipts:								
Local sources	228,320	2,296,764	2,353,846	1,934,381	408,620	-	910,480	176,444
Intermediate sources	907	-	-	-	-	-	-	-
State sources	14,912,626	-	-	-	-	-	23,567	89,692
Federal sources	-	-	-	-	-	-	781,243	-
Other receipts	74,886	-	5,542	166,896	-	-	45,825	-
Total receipts	15,216,739	2,296,764	2,359,388	2,101,277	408,620	-	1,761,115	266,136
Disbursements:								
Instruction	10,720,394	-	-	-	-	-	-	-
Support services	4,671,274	-	1,001,410	1,944,332	22,207	63,000	2,156	246,993
Noninstructional services	371,937	-	-	-	-	-	1,744,107	-
Facilities acquisition and construction	-	-	1,856,005	-	-	-	-	-
Debt service	-	2,165,000	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	134,044	-
Total disbursements	15,763,605	2,165,000	2,857,415	1,944,332	22,207	63,000	1,880,307	246,993
Excess (deficiency) of receipts over disbursements	(546,866)	131,764	(498,027)	156,945	386,413	(63,000)	(119,192)	19,143
Other financing sources (uses):								
Transfers in	-	-	-	-	-	63,000	-	-
Transfers out	-	-	-	-	(63,000)	-	-	-
Total other financing sources (uses)	-	-	-	-	(63,000)	63,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(546,866)	131,764	(498,027)	156,945	323,413	-	(119,192)	19,143
Cash and investments - ending	\$ 807,928	\$ 1,345,521	\$ 1,644,768	\$ 478,303	\$ 283,715	\$ 2,042,000	\$ 549,236	\$ 307,677

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Educational License Plates	Early Intervention Grant	Memorial Fund Donations	Extra- Curricular Activities	Miscellaneous Programs	Outdoor Nature Lab	Secured Schools Safety Grant	School Technology
Cash and investments - beginning	\$ 4,654	\$ 1,800	\$ 165	\$ (2,127)	\$ 200	\$ 453	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	466	-	-
Intermediate sources	394	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	50,000	2,015
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	394	-	-	-	-	466	50,000	2,015
Disbursements:								
Instruction	2,321	-	-	4,204	-	-	-	-
Support services	387	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	50,000	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	2,708	-	-	4,204	-	-	50,000	-
Excess (deficiency) of receipts over disbursements	(2,314)	-	-	(4,204)	-	466	-	2,015
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	(2,314)	-	-	(4,204)	-	466	-	2,015
Cash and investments - ending	\$ 2,340	\$ 1,800	\$ 165	\$ (6,331)	\$ 200	\$ 919	\$ -	\$ 2,015

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Construction, Remodeling, and Equipping Buildings	High Ability 12-13	High Ability 14-15	DFS & Community (LLC)	Technology - Rebates	Title I 2012-13	Title I 2013-14
Cash and investments - beginning	\$ 208,327	\$ -	\$ 32,862	\$ 12,318	\$ 89,877	\$ -	\$ (25,818)
Receipts:							
Local sources	-	-	-	18,990	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	36,329	-	29,921	-	-
Federal sources	-	-	-	-	-	71,694	127,778
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	36,329	18,990	29,921	71,694	127,778
Disbursements:							
Instruction	-	-	13,421	12,949	132,274	-	96,651
Support services	-	-	-	-	-	-	819
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	208,327	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	208,327	-	13,421	12,949	132,274	-	97,470
Excess (deficiency) of receipts over disbursements	(208,327)	-	22,908	6,041	(102,353)	71,694	30,308
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	(208,327)	-	22,908	6,041	(102,353)	71,694	30,308
Cash and investments - ending	\$ -	\$ -	\$ 55,770	\$ 18,359	\$ (12,476)	\$ 71,694	\$ 4,490

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Title I 2014-15	IDEA	CFR - Part B 2013-14	Part B 2014-15	Part B 2015-16	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Special Ed Technical Assistance
Cash and investments - beginning	\$ -	\$ -	\$ (147,439)	\$ -	\$ -	\$ 20,693	\$ (13,937)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	213,578	-	227,642	332,305	-	-	14,141
Other receipts	-	-	-	-	-	-	-
Total receipts	213,578	-	227,642	332,305	-	-	14,141
Disbursements:							
Instruction	275,487	-	62,127	395,974	2,612	7,269	136
Support services	-	-	24,839	58,086	3,230	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	275,487	-	86,966	454,060	5,842	7,269	136
Excess (deficiency) of receipts over disbursements	(61,909)	-	140,676	(121,755)	(5,842)	(7,269)	14,005
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	(61,909)	-	140,676	(121,755)	(5,842)	(7,269)	14,005
Cash and investments - ending	\$ (61,909)	\$ -	\$ (6,763)	\$ (121,755)	\$ (5,842)	\$ 13,424	\$ 68

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	CFR - Part B Preschool 2013-14	Improving Teaching Quality, No Child Left, Title II, Part A	Title II 2012-14	Title II 2013-15	RC College Success Coalition	Payroll Withholding	Totals
Cash and investments - beginning	\$ (1,050)	\$ (1,546)	\$ 51,899	\$ -	\$ 9,133	\$ 587,775	\$ 8,820,207
Receipts:							
Local sources	-	-	-	-	-	-	8,328,311
Intermediate sources	-	-	-	-	-	-	1,301
State sources	-	-	-	-	-	-	15,144,150
Federal sources	-	-	-	-	222	-	1,768,603
Other receipts	-	1,546	-	-	-	4,850,853	5,145,548
Total receipts	-	1,546	-	-	222	4,850,853	30,387,913
Disbursements:							
Instruction	-	-	-	-	-	-	11,725,819
Support services	-	-	51,899	111,306	9,355	-	8,211,293
Noninstructional services	-	-	-	-	-	4,881,230	6,997,274
Facilities acquisition and construction	-	-	-	-	-	-	2,114,332
Debt service	-	-	-	-	-	-	2,165,000
Nonprogrammed charges	-	-	-	-	-	-	134,044
Total disbursements	-	-	51,899	111,306	9,355	4,881,230	31,347,762
Excess (deficiency) of receipts over disbursements	-	1,546	(51,899)	(111,306)	(9,133)	(30,377)	(959,849)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	63,000
Transfers out	-	-	-	-	-	-	(63,000)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,546	(51,899)	(111,306)	(9,133)	(30,377)	(959,849)
Cash and investments - ending	\$ (1,050)	\$ -	\$ -	\$ (111,306)	\$ -	\$ 557,398	\$ 7,860,358

RUSH COUNTY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2015

<u>Type</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities:				
Capital leases:				
Rush County Elementary School Building Corporation	Elementary School Building	\$ 2,051,211	01-15-09	01-15-28
Rush County Elementary School Building Corporation	Elementary School Building	<u>108,938</u>	07-15-09	01-15-29
Total of annual lease payments		<u>\$ 2,160,149</u>		

RUSH COUNTY SCHOOLS
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2015

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	\$ 576,500
Buildings	50,710,280
Improvements other than buildings	111,185
Machinery, equipment, and vehicles	<u>7,452,626</u>
Total governmental activities	<u>58,850,591</u>
Total capital assets	<u>\$ 58,850,591</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

Report on Compliance for Each Major Federal Program

We have audited the Rush County Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2013 to June 30, 2015. 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, 2013 to June 30, 2015.

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 2015-004, 2015-006, and 2015-008. 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 a 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 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, and 2015-008 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

November 29, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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RUSH COUNTY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2014 and 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-14	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
			FY2014	\$ 126,383	\$ -
			FY2015	-	138,178
Total - School Breakfast Program				126,383	138,178
National School Lunch Program	Indiana Department of Education	10.555			
			FY2014	623,969	-
			FY2015	-	629,407
Commodities			2014-15	111,275	98,699
Total - National School Lunch Program				735,245	728,106
Total - Child Nutrition Cluster				861,627	866,284
Total - Department of Agriculture				861,627	866,284
<u>Department of Education</u>					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title I 2012-13			2012/13	81,094	-
Title I 2013-14			2013/14	304,113	127,778
Title I 2014-15			2014/15	-	208,952
Total - Title I Grants to Local Educational Agencies				385,207	336,730
Special Education Cluster (IDEA)					
Special Education_Grants to States	Indiana Department of Education	84.027			
CFR Part B 2012-13			2012/13	144,205	-
CFR Part B 2013-14			2013/14	374,434	227,642
CFR Part B 2014-15			2014/15	-	332,305
Total - Special Education_Grants to States				518,639	559,947
Special Education_Preschool Grants	Indiana Department of Education	84.173			
CFR Part B Preschool			2013/14	20,039	-
CFR Part B Preschool			2014/15	-	14,141
Total - Special Education_Preschool Grants				20,039	14,141
Total - Special Education Cluster (IDEA)				538,678	574,088
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
Title II 2012-14			2012/14	-	76,319
College Access Challenge Grant Program	Indiana Department of Education	84.378			
2012 Access			2012/14	6,000	-
Total - Department of Education				929,885	987,138
Total federal awards expended				\$ 1,791,512	\$ 1,853,422

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

RUSH COUNTY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2014 and 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies 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 2015-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior report. The prior report finding number was 2013-001.

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

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

Context

Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to cash and investments. The Director of Finance was primarily responsible for completing the bank reconciliements without review by another person.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

The School Corporation had not established a proper system of internal controls over financial transactions and reporting.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to financial transactions and reporting.

Views of Responsible Officials

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

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

FINDING 2015-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior report. The prior report finding number was 2013-002.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Director of Finance was primarily responsible for preparation and submission of the SEFA. There was no segregation of duties documented, such as an oversight, review, or approval process, or other compensating control. The lack of controls enabled material misstatement of the SEFA.

Context

The total federal awards expended were understated by \$125,484. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 § .310. . . ."

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

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.
- (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."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material mis-statements of the SEFA remained undetected.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the SEFA.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-003

Subject: School Breakfast Program, National School Lunch Program -
Suspension and Debarment, Program Income
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): FY2014, FY2015, 2014-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Suspension and Debarment, Program Income
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Suspension and Debarment and Program Income.

Suspension and Debarment

The School Corporation had not established an effective control to ensure vendors awarded contracts exceeding \$25,000 were not suspended or debarred from participation in federal programs.

Program Income

The School Corporation had not established an effective control to ensure program income was properly recorded in the financial records. Program income was posted based upon a report produced within Harmony (the Food Service software). There was no control in place to ensure the report agreed to sales figures reported in the School Corporation's Food Service Program.

Context

The lack of controls was a systemic problem. There were no documented internal controls for these compliance requirements during 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. . . ."

Cause

The School Corporation had not developed a system of internal controls that would have segregated key functions.

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements

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 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, National School Lunch Program - Allowable Costs/Cost Principles
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): FY 2014, FY 2015, 2014-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation was required to maintain Semi-Annual Certifications on all full and part-time employees paid from the programs. There were no Semi-Annual Certifications maintained by the School Corporation for full or part-time employees paid from the programs during the audit period.

Context

The lack of controls and noncompliance were systemic problems during 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. . . ."

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

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."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles requirements outlined above.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected, which 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 to ensure compliance with the Allowable Costs/Cost Principles requirements.

Views of Responsible Officials

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

FINDING 2015-005

Subject: Title I Grants to Local Educational Agencies - Cash Management and Reporting
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 2012/13, 2013/14, 2014/15
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Reporting
Audit Finding: Material Weakness

Condition

Management of the School Corporation had not established an effective internal control system to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management and Reporting.

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

Context

Cash Management

One employee was responsible for preparing and submitting reimbursement requests. There was no control in place to ensure that the unit only requested reimbursement for costs the unit had incurred prior to submission of the reimbursement request.

Reporting

One employee was responsible for preparing and submitting required reports. There was no control in place to ensure reports were accurate prior to submission.

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 segregated key functions related to the compliance requirements mentioned under *Context* above.

Effect

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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 Cash Management and Reporting compliance requirements.

Views of Responsible Officials

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

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

FINDING 2015-006

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 2012/13, 2013/14, 2014/15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The School Corporation did not maintain Semi-Annual Certifications.

Context

The lack of controls and failure to maintain Semi-Annual Certifications were systemic problems throughout 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. . ."

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."

Cause

Management had not developed a system of internal controls that segregated key functions related to the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

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

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.

FINDING 2015-007

Subject: Special Education_Grants to States, Special Education_Preschool Grants -
Cash Management and 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): 2012/13, 2013/14, 2014/15
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Reporting
Audit Finding: Material Weakness

Condition

Management of the School Corporation had not established an effective internal control system to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management and Reporting.

Cash Management

One employee was responsible for preparing and submitting reimbursement requests. There was no control in place to ensure that the unit had requested reimbursement only for costs the unit had incurred prior to submission of the reimbursement request.

Reporting

One employee was responsible for preparing and submitting required reports. There was no control in place to ensure reports were accurate prior to submission.

Context

The lack of internal controls over the Cash Management and Reporting compliance requirements was a systemic problem throughout 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. . . ."

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

Cause

Management had not developed a system of internal controls that segregated key functions related to the compliance requirements mentioned under *Condition* above.

Effect

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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 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 2015-008

Subject: Special Education_Grants to States, Special Education_Preschool Grants - 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): 2012/13, 2013/14, 2014/15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The School Corporation did not maintain Semi-Annual Certifications.

Context

The lack of controls and failure to maintain Semi-Annual Certifications were systemic problems throughout the audit period.

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

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. . ."

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."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected, which 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.

AUDITEE-PREPARED DOCUMENTS

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



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-001

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A

Contact Person Responsible for Corrective Action: *Bryce Welsh, Director of Finance*

Contact Phone Number: (765) 932-4186

Status of Audit Finding:

New controls and separation of duties have been implemented to the best of our ability with a small staff. For example deposits, claim dockets and bank statements are signed off on by another member of the bookkeeping office.

Cash flow reports are given to the board members on a quarterly basis to inspect and comment on. The board is also presented with the claim docket every month and votes to accept or deny claims.

FINDING 2013-002

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A

Contact Person Responsible for Corrective Action: *Bryce Welsh, Director of Finance*

Contact Phone Number: (765) 932-4186

Status of Audit Finding:

In the future we will have someone other than the submitter review all grant info and sign off on it before submitting it Gateway to ensure accuracy

FINDING 2013-003

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: *Indiana Department of Education*

Contact Person Responsible for Corrective Action: *Bryce Welsh, Director of Finance*

Contact Phone Number: (765) 932-4186

Status of Audit Finding:

We no longer receive this grant, but if receive it in the future we will segregate the duties going forward. The director of finance will prepare the reimbursement requests as well as assist

with writing grants and the grant director will approve reimbursements and be responsible for writing the grant.

FINDING 2013-004

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: *Indiana Department of Education*

Contact Person Responsible for Corrective Action: *Bryce Welsh, Director of Finance*

Contact Phone Number: (765) 932-4186

Status of Audit Finding:

All cafeteria funds have been brought into the central office. Monthly reimbursement reports are now prepared by cafeteria managers at the buildings and sent to the corporation secretary for review and submission. We are continuing to work on separating duties and instituting controls with a limited staff.



(Signature)

Director of Finance

(Title)

10/19/17

(Date)



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Bryce Welsh, Director of Finance
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

New controls and separation of duties have been implemented to the best of our ability with a small staff. For example deposits, claim dockets and bank statements are signed off on by another member of the bookkeeping office.

Cash flow reports are given to the board members on a quarterly basis to inspect and comment on. The board is also presented with the claim docket every month and votes to accept or deny claims.

Anticipated Completion Date: 12/31/17

FINDING 2015-002

Contact Person Responsible for Corrective Action: Bryce Welsh, Director of Finance
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

However, we no longer receive this grant, but if receive it in the future we will segregate the duties going forward. The director of finance will prepare the reimbursement requests as well as assist with writing grants and the grant director will approve reimbursements and be responsible for writing the grant.

Anticipated Completion Date: 12/31/17

FINDING 2015-003

Contact Person Responsible for Corrective Action: Bryce Welsh, Director of Finance
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

All cafeteria funds have been brought into the central office. Monthly reimbursement reports are now prepared by cafeteria managers at the buildings and sent to the corporation secretary for review and submission. We are continuing to work on separating duties and instituting controls with a limited staff. The Director of Finance will check the sam.gov website for Suspension and Debarment of vendors.

Anticipated Completion Date: 12/31/17

FINDING 2015-004

Contact Person Responsible for Corrective Action: Bryce Welsh, Director of Finance
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

We concur with the finding. We will complete and maintain Semi-Annual certifications for federal grants in the future.

Anticipated Completion Date: 12/31/17

FINDING 2015-005

Contact Person Responsible for Corrective Action: Bryce Welsh, Director of Finance
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Director of Finance will be reviewing and initialing all reimbursement requests going forward. The Director of Finance will also be more involved in the financial process of the Title I grant such as meeting with the Title I director on a regular basis to discuss finances.

Anticipated Completion Date: 12/31/17

FINDING 2015-006

Contact Person Responsible for Corrective Action: Bryce Welsh, Director of Finance
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

We will complete and maintain Semi-Annual certifications for federal grants in the future.

Anticipated Completion Date: 12/31/17

FINDING 2015-007

Contact Person Responsible for Corrective Action: Bryce Welsh, Director of Finance
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Controls have already been put in place to correct this action. Financial reports are discussed by the Director of Differentiated Learning and the Director of Finance before preparing reimbursements. Once the reimbursement form is prepared by the Director of Finance it is reviewed by the Director of Differentiated Learning. Once reviewed by both directors it is then signed by both and submitted for approval.

Anticipated Completion Date: Complete

FINDING 2015-008

Contact Person Responsible for Corrective Action: Bryce Welsh, Director of Finance
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

We will complete and maintain Semi-Annual certifications for federal grants in the future.

Anticipated Completion Date: 12/31/17



(Signature)

Director of Finance

(Title)

11/29/17

(Date)

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/>.