BIG SPRING SCHOOL DISTRICT

SUPPLEMENTARY AUDIT REPORT
ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

Greenawalt & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Since 1955

Deborah J. Kelly
Scott J. Christ
Ronald S. Morgan

James E. Lyons
Howard R. Greenawalt

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

Board of School Directors
Big Spring School District
Newville, Pennsylvania

We have audited, in accordance with the 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 statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of the Big Spring School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Big Spring School District's basic financial statements, and have issued our report thereon dated January 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Spring School District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Big Spring School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Big Spring School District's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (#2016-001)

400 West Main Street • Mechanicsburg, PA 17055 • 717.766.4763 • Fax 717.766.2731
62 West Pomfret Street • Carlisle, PA 17013 • 717.243.4822 • Fax 717.258.9372
www.greenawalt.cc

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Big Spring School District's financial statements are 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Big Spring School District's Response to Finding

Big Spring School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Big Spring School District's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greenawalt + Company, P.C.
GREENAWALT & COMPANY, P.C.

January 10, 2017

Mechanicsburg, Pennsylvania

Greenawalt & Company, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Board of School Directors
Big Spring School District
Mechanicsburg, Pennsylvania

Report on Compliance For Each Major Federal Program

We have audited the Big Spring School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Big Spring School District's major federal programs for the year ended June 30, 2016. Big Spring School District'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 federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Big Spring School District'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 the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Big Spring School District'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 Big Spring School District's compliance.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Cont'd.)

Opinion on Each Major Federal Program

In our opinion, the Big Spring School District 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 year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Big Spring School District 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 Big Spring School District'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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Big Spring School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Cont'd.)

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of the Big Spring School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Big Spring School District's basic financial statements. We issued our report thereon dated January 10, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Greenawalt + Company, P.C.
GREENAWALT & COMPANY, P.C.

January 10, 2017

Mechanicsburg, Pennsylvania

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor Program Title	Source Code	Federal CFDA #	Pass Through Grantor's #	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received For Year	Accrued (Unearned) Revenue 7/1/2015	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 6/30/2016	Passed Through to Subrecipients
U.S. Department of Agriculture											
Passed through PA Department of Education											
Child Nutrition Cluster											
School Breakfast Program - Cash Assistance	I(F)	10.553	N/A	7/01/15-6/30/16	N/A	$ 54,240	$ -	$ 64,657	$ 64,657	$ 10,417	$ -
School Breakfast Program - Cash Assistance	I(F)	10.553	N/A	7/01/14-6/30/15	N/A	7,442	7,442	-	-	-	-
Total School Breakfast Program						61,682	7,442	64,657	64,657	10,417	-
National School Lunch Program - Cash Assistance	I(F)	10.555	N/A	7/01/15-6/30/16	N/A	355,945	-	411,015	411,015	55,070	-
National School Lunch Program - Cash Assistance	I(F)	10.555	N/A	7/01/14-6/30/15	N/A	53,307	53,307	-	-	-	-
Passed through PA Department of Agriculture											
National School Lunch Program - Non-Cash Assistance	I(F)	10.555	N/A	7/01/15-6/30/16	N/A	65,197	-	65,197	65,197	-	-
Total National School Lunch Program						474,449	53,307	476,212	476,212	55,070	-
Total Child Nutrition Cluster						536,131	60,749	540,869	540,869	65,487	-
National School Lunch Program - Cash Assistance	I(S)	N/A	N/A	7/01/15-6/30/16	N/A	23,306	-	26,902	26,902	3,596	-
National School Lunch Program - Cash Assistance	I(S)	N/A	N/A	7/01/14-6/30/15	N/A	3,725	3,725	-	-	-	-
School Breakfast Program - Cash Assistance	I(S)	N/A	N/A	7/01/15-6/30/16	N/A	3,223	-	3,843	3,843	620	-
School Breakfast Program - Cash Assistance	I(S)	N/A	N/A	7/01/14-6/30/15	N/A	541	541	-	-	-	-
Total U.S. Department of Agriculture						$ 566,926	$ 65,015	$ 571,614	$ 571,614	$ 69,703	$ -
U.S. Department of Education											
Passed through PA Department of Education											
Title I Part A Cluster											
Title I - Grants to Local Educational Agencies	I(F)	84.010(M)	013-160037	8/19/15-9/30/16	$ 423,460	$ 339,379	$ -	$ 423,460	$ 423,460	$ 84,081	$ -
Title I - Grants to Local Educational Agencies	I(F)	84.010(M)	013-150037	9/04/14-9/30/15	444,232	115,793	115,793	-	-	-	-
Total Title I, Part A Cluster						455,172	115,793	423,460	423,460	84,081	-
Title II - Improving Teacher Quality - State Grants	I(F)	84.367	020-160037	8/19/15-9/30/16	123,845	99,159	-	123,845	123,845	24,686	-
Title II - Improving Teacher Quality - State Grants	I(F)	84.367	020-150037	9/04/14-9/30/15	124,618	49,806	49,806	-	-	-	-
Title II - Improving Teacher Quality - State Grants	I(F)	84.367	020-140037	9/04/14-9/30/15	124,749	24,898	13,559	11,339	11,339	-	-
Total Title II - Improving Teacher Quality - State Grants						173,863	63,365	135,184	135,184	24,686	-
Total Passed through PA Department of Education						629,035	179,158	558,644	558,644	108,767	-
Passed through Capital Area Intermediate Unit #15											
Special Education Cluster (IDEA)											
Special Education - Grants to States (IDEA, Part B)	I(F)	84.027A	H027A140093	7/01/15-6/30/16	552,661	535,162	-	552,661	552,661	17,499	-
Special Education - Grants to States (IDEA, Part B)	I(F)	84.027A	H027A140093	7/01/14-6/30/15	552,893	552,893	552,893	-	-	-	-
Special Education - Preschool Grants (IDEA Preschool)	I(F)	84.173	131-1300015	7/01/15-6/30/16	3,991	3,991	-	3,991	3,991	-	-
Special Education - Preschool Grants (IDEA Preschool)	I(F)	84.173	131-1200015	7/01/14-6/30/15	3,288	3,288	3,288	-	-	-	-
Total Special Education Cluster (IDEA)						1,095,334	556,181	556,652	556,652	17,499	-
Total U.S. Department of Education						$ 1,724,369	$ 735,339	$ 1,115,296	$ 1,115,296	$ 126,266	$ -
Total Federal and State Awards						$ 2,291,295	$ 800,354	$ 1,686,910	$ 1,686,910	$ 195,969	$ -
Less: State Awards						$ (30,795)	$ (4,266)	$ (30,745)	$ (30,745)	$ (4,216)	$ -
Total Federal Awards						$ 2,260,500	$ 796,088	$ 1,656,165	$ 1,656,165	$ 191,753	$ -

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Cont'd.)

YEAR ENDED JUNE 30, 2016

Note A - Significant accounting policies

This schedule is a summary of the District's federal awards programs presented on the accrual basis of accounting; that is revenues are recognized when the expenditures are incurred.

Relationship to financial statements

The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect cost rates

The District does not have an approved indirect cost rate, and has not elected to change a de minimis rate.

Note B - National School Lunch Program - Non-Cash Assistance

Nonmonetary assistance is reported in the schedule at market value (provided by USDA) of the commodities received.

Calculation of 20% Rule

Total federal expenditures per schedule $ 1,656,165

Major program

Grant Program Title	Federal CFDA#	Total Expenditures
U.S. Department of Education		
Passed through of PA Department of Education		
Title I - Grants to Local Educational Agencies	84.010	$ 423,460
Total (25.57% of total federal expenditures)		$ 423,460

Source codes:

- I - Indirect funding
- F - Federal share
- S - State share

Legends:

- (M) Major program

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

A. Summary of auditor's results

1. The opinion expressed in the independent auditor's report was:

   X Unmodified ¨ Qualified ¨ Adverse ¨ Disclaimed

2. The independent auditor's report on internal control over financial reporting described:

   Significant deficiency(ies) noted considered material weakness(es)? ¨ Yes X No

   Significant deficiency(ies) noted that are not considered to be a material weakness? X Yes ¨ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ¨ Yes X No

4. The independent auditor's report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) noted considered material weakness(es)? ¨ Yes X No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ¨ Yes X No

5. The opinion expressed in the independent auditor's report on compliance with requirements applicable to major federal awards was:

   X Unmodified ¨ Qualified ¨ Adverse ¨ Disclaimed

6. The audit disclosed findings required to be reported in accordance with 2 CFR 200.516(a)? X Yes ¨ No

A. Summary of auditor's results (Cont'd.)

7. The District's major program are:

Grant Program Title	Federal CFDA#
U.S. Department of Education	
Passed through of PA Department of Education	
Title I - Grants to Local Educational Agencies	84.010

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was $ 750,000.

9. The District qualified as a low-risk auditee as that term is defined in the Uniform Guidance? X Yes .. No

B. Findings - financial statement audit

#2016-001 Internal Control - significant deficiency

Criteria

The performance of key control procedures over District financial transactions helps to ensure that errors and/or irregularities are identified in a timely manner.

Condition

During the 2015-2016 fiscal year, key control procedures were not timely performed for the reconciliation of fixed assets.

Cause

The District engaged a third party vendor to perform an inventory of their fixed assets to provide current and future year fixed asset schedules and the related depreciation information. This information was not received from the vendor timely, and was not easily reconcilable to the District's fixed assets balances as of the beginning of the current fiscal year, and the additions and disposals during fiscal year 2016.

Effect

There was a delay in recording the year-end adjusted account balances.

Identification as a repeat finding

There was no similar error in the prior year.

Recommendations

We recommend that the District require the third party vendor to provide the year-end fixed asset information in a timely manner in future years. In addition, to ensure that the information provided to the vendor is accurate, fixed asset purchases and disposals should be tracked and reported to the vendor on an ongoing basis throughout the fiscal year, based on District activity recorded on each applicable fund.

View of responsible officials and planned corrective action

In the years prior the District conducted its own fixed asset tracking. The transition to vendor supported tracking failed due to poor vendor selection. In February the District will issue request for proposals for fixed asset tracking and associated functions with the goal of finding a more capable vendor; that RFP will also include strict guidelines on submissions and reporting throughout the year.

C. Findings and questioned costs - major federal award program audits

None

BIG SPRING SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016

NONE

BIG SPRING SCHOOL DISTRICT
Business Office
45 Mount Rock Road
Newville, PA 17241-9466
(717) 776-2404

January 8, 2017

Subject: Corrective Action Plan

Big Spring School District respectfully submits the following action plan for the year ended June 30, 2016.

Name and address of the independent public accounting firm: Greenawalt & Company, P.C., 400 West Main St., Mechanicsburg, PA 17055

Audit period: July 1, 2015 to June 30, 2016.

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2016-001-Internal Control

Recommendation: Greenawalt recommends that the District require the third party vendor to provide the year-end fixed asset information in a timely manner in future years. In addition, to ensure that the information provided to the vendor is accurate, fixed asset purchases and disposals should be tracked on and reported to the vendor on an ongoing basis throughout the fiscal year, based on District activity recorded on each applicable fund.

Action Taken: In years prior the District conducted its own fixed asset tracking. The transition to vendor supported tracking failed due to poor vendor selection. In February the District will issue request for proposals for fixed asset tracking and associated functions with the goal of finding a more capable vendor; that RFP will also include strict guidelines on submissions and reporting throughout the year.

If the Department of Education has questions regarding this plan, please call Richard Kerr at 717-776-2404

Sincerely,

Richard E. Kerr, Jr
Business Manager