BIG SPRING SCHOOL DISTRICT

SUPPLEMENTARY AUDIT REPORT
ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2013

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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 STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of School Directors
Big Spring School District
Newville, Pennsylvania

Reference to Report on the Financial Statements

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 Big Spring School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Big Spring School District's basic financial statements, and have issued our report thereon dated October 24, 2013.

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 Big Spring School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Cont'd.)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Spring School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 district'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 district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greenawalt & Company, P.C.

GREENAWALT & COMPANY, P.C.

October 31, 2013

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 OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Board of School Directors
Big Spring School District
Newville, Pennsylvania

Report on Compliance For Each Major Federal Program

We have audited Big Spring School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Big Spring School District's major federal programs for the year ended June 30, 2013. 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 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 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 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 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 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 OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Cont'd.)

Opinion on Each Major Federal Program

In our opinion, 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, 2013.

Report on Internal Control Over Compliance

Management of 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 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 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 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. 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 OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Cont'd.)

Report on Schedule of Expenditures of Federal Awards and State Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of Big Spring School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Big Spring School District's basic financial statements. We issued our report thereon dated October 24, 2013, 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 OMB Circular A-133 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

October 31, 2013

Mechanicsburg, Pennsylvania

BIG SPRING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor Program Title	Source Code	Federal CFDA #	Pass Through Grantor #	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received For Year	Accrued (Deferred) Revenue 7/1/2012	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2013
U.S. Department of Agriculture										
Passed through PA Dept. of Education										
Child Nutrition Cluster										
School Breakfast Program - Cash Assistance	I(F)	10.553(M)	N/A	7/1/12-6/30/13	N/A	$ 32,673	$ -	$ 40,205	$ 40,205	$ 7,532
National School Lunch Program - Cash Assistance	I(F)	10.555(M)	N/A	7/1/12-6/30/13	N/A	303,802	-	355,885	355,885	52,083
National School Lunch Program - Cash Assistance	I(F)	10.555(M)	N/A	7/1/11-6/30/12	N/A	6,583	6,583	-	-	-
Passed through PA Dept. of Agriculture										
Commodities - Non-Cash Assistance	I(F)	10.555(M)	N/A	7/1/12-6/30/13	N/A	49,904	-	49,904	49,904	-
Total National School Lunch Program						360,289	6,583	405,789	405,789	52,083
Total Child Nutrition Cluster						392,962	6,583	445,994	445,994	59,615
National School Lunch Program - Cash Assistance	I(S)	N/A	N/A	7/1/12-6/30/13	N/A	23,799	-	27,834	27,834	4,035
National School Lunch Program - Cash Assistance	I(S)	N/A	N/A	7/1/11-6/30/12	N/A	543	543	-	-	-
School Breakfast Program - Cash Assistance	I(S)	N/A	N/A	7/1/12-6/30/13	N/A	2,349	-	2,903	2,903	554
Total U.S. Department of Agriculture						$ 419,653	$ 7,126	$ 476,731	$ 476,731	$ 64,204
U.S. Department of Education										
Passed through PA Department of Education										
Title I, Part A Cluster										
Title I - Grants to Local Educational Agencies -	I	84.010(M)	013-130037	7/9/12-9/30/13	461,874	$ 314,101	$ -	$ 461,874	$ 461,874	$ 147,773
Title I - Grants to Local Educational Agencies -	I	84.010(M)	013-120037	7/1/11-9/30/12		74,378	74,378	-	-	-
Total Title I, Part A Cluster						388,479	74,378	461,874	461,874	147,773
Title II - Improving Teacher Quality - State Grants	I	84.367	020-130037	7/9/12-9/30/13	130,717	113,456	-	130,717	130,717	17,261
Title II - Improving Teacher Quality - State Grants	I	84.367	020-120037	7/1/11-9/30/12	130,297	34,237	34,237	-	-	-
Total Title II - Improving Teacher Quality - State Grants						147,693	34,237	130,717	130,717	17,261
Education Jobs Fund - Supplemental Grant	I	84.410A	140-120037	7/1/11-6/30/12	10,109	10,109	10,109	-	-	-
Passed through Capital Area Intermediate Unit #15										
Special Education Cluster (IDEA)										
Special Education - Grants to States (IDEA, Part B) -	I	84.027A	062-130015	7/1/12-6/30/13	647,413	647,413	-	647,413	647,413	-
Special Education - Grants to States (IDEA, Part B)	I	84.027A	062-120015	7/1/11-6/30/12	656,516	303,830	303,830	-	-	-
Special Education - Preschool Grants (IDEA, Preschool)		84.173	131-120015	7/1/12-6/30/13	3,293	-	-	3,293	3,293	3,293
Total Special Education Cluster (IDEA)						951,243	303,830	650,706	650,706	3,293
Total U.S. Department of Education						$ 1,497,524	$ 422,554	$ 1,243,297	$ 1,243,297	$ 168,327
Total Federal and State Awards						$ 1,917,177	$ 429,680	$ 1,720,028	$ 1,720,028	$ 232,531

BIG SPRING SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2013

Note A - Significant accounting policies

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

Note B - Donated commodities

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

Calculation of 25% Rule

Total expenditures per schedule	$ 1,720,028
Less: State expenditures	30,737
Total federal expenditures	$ 1,689,291

Major programs

Grant Program Title	Federal CFDA#	Total Expenditures	
U.S. Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program – Cash Assistance	10.553	$ 40,205	
National School Lunch Program – Cash Assistance	10.555	355,885	
Commodities – Non-Cash Assistance	10.555	49,904	
			$ 445,994
U.S. Department of Education			
Title I - Grants to Local Educational Agencies	84.010		461,874
Total (53.74% of total federal expenditures)			$ 907,868

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, 2013

A. Summary of auditor's results

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

   ■ 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 ■ No

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

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

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

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

   ■ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? ☐ Yes ■ No

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd.)

YEAR ENDED JUNE 30, 2013

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

7. The District's major programs were:

Grant Program Title	Federal CFDA#
U.S. Department of Agriculture	
Child Nutrition Cluster	
School Breakfast Program – Cash Assistance	10.553
National School Lunch Program – Cash Assistance	10.555
Commodities – Non-Cash Assistance	10.555
U.S. 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 OMB Circular A-133 was $ 300,000.

9. The District qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ■Yes ❑No

B. Findings - financial statement audit

None

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, 2013

#2012-1 Significant deficiency

Compliance Requirement - Financial Reporting
Title I – Grants to Local Education Agencies, CFDA # 84.010

Condition

Two quarterly cash reports, September 2011 and March 2012, were filed after the due date. They are due no later than the tenth business day following the last day of each quarter.

School District's Corrective Action

The School District agrees with this finding and the recommendation. The District has set up monthly meetings with pertinent employees to discuss the year to date grant spending. The meetings are scheduled before the 5th of each month. The meeting will serve as a reminder for grant reporting. Additionally, a task reminder has been added to the Accounting Controller's calendar.

Status

The School District has implemented its corrective action plan. This finding has been fully corrected for the year ended June 30, 2013.