BIG SPRING SCHOOL DISTRICT

SUPPLEMENTARY AUDIT REPORT
ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2012

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Greenawalt & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Since 1955

James E. Lyons
Deborah J. Kelly
Scott J. Christ
Ronald S. Morgan

Howard R. Greenawalt
Creedon R. Hoffman

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

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, 2012, which collectively comprise Big Spring School District's basic financial statements and have issued our report thereon dated October 25, 2012. 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.

Internal Control Over Financial Reporting

Management of Big Spring School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Big Spring School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Big Spring School District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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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 (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.

This report is intended solely for the information and use of management, the Board of School Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greenawalt & Company, P.C

GREENAWALT & COMPANY, P.C.

October 25, 2012

Mechanicsburg, Pennsylvania

Greenawalt & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Since 1955

G&Co.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of School Directors
Big Spring School District
Newville, Pennsylvania

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Big Spring School District's management. Our responsibility is to express an opinion on Big Spring School District's compliance based on our audit.

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. Our audit does not provide a legal determination of Big Spring School District's compliance with those requirements.

In our opinion, Big Spring School District complied, in all material respects, with the 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, 2012.

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Internal Control Over Compliance

Management of Big Spring School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Big Spring School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item #2012-1. A significant deficiency in internal control over compliance is a deficiency, or a 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.

Big Spring School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Big Spring School District's response and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont'd.)

Schedule of Expenditures of Federal Awards

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, 2012, and have issued our report thereon dated October 25, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the 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 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 financial statements or to the 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 awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of School Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greenawalt & Company, P.C.

GREENAWALT & COMPANY, P.C.

October 25, 2012

Mechanicsburg, Pennsylvania

BIG SPRING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

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 7/1/2011	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2012
U.S. Department of Agriculture										
Passed through PA Dept. of Education										
Child Nutrition Cluster										
School Breakfast Program - Cash Assistance	I(F)	10.553	N/A	7/1/11-6/30/12	N/A	$ 36,432	$ -	$ 36,432	$ 36,432	$ -
National School Lunch Program - Cash Assistance	I(F)	10.555	N/A	7/1/11-6/30/12	N/A	347,743	-	354,326	354,326	6,583
National School Lunch Program - Cash Assistance	I(F)	10.555	N/A	7/1/10-6/30/11	N/A	3,119	3,119	-	-	-
Passed through PA Dept. of Agriculture										
Commodities - Non-Cash Assistance	I(F)	10.555	N/A	7/1/11-6/30/12	N/A	58,535	-	58,535	58,535	-
Total National School Lunch Program						409,397	3,119	412,861	412,861	6,583
Total Child Nutrition Cluster						445,829	3,119	449,293	449,293	6,583
National School Lunch Program - Cash Assistance	I(S)	N/A	N/A	7/1/11-6/30/12	N/A	35,976	-	36,519	36,519	543
National School Lunch Program - Cash Assistance	I(S)	N/A	N/A	7/1/10-6/30/11	N/A	273	273	-	-	-
School Breakfast Program - Cash Assistance	I(S)	N/A	N/A	7/1/11-6/30/12	N/A	2,853	-	2,853	2,853	-
Total U.S. Department of Agriculture						$ 484,931	$ 3,392	$ 488,665	$ 488,665	$ 7,126

BIG SPRING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

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 7/1/2011	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2012
U.S. Department of Education										
Passed through PA Department of Education										
Title I, Part A Cluster										
Title I - Grants to Local Educational Agencies - Recovery Act	I	84.010(M)	013-120037	7/1/11-9/30/12	$ 408,962	$ 334,584	$ -	$ 408,962	$ 408,962	$ 74,378
Title I - Grants to Local Educational Agencies	I	84.010(M)	013-110037	9/1/10-9/30/11	424,181	128,858	114,631	14,227	14,227	-
Total Title I, Part A Cluster						463,442	114,631	423,189	423,189	74,378
Title II - Improving Teacher Quality - State Grants	I	84.367	020-120037	7/1/11-9/30/12	130,297	96,060	-	130,297	130,297	34,237
Title II - Improving Teacher Quality - State Grants	I	84.367	020-110037	9/1/10-9/30/11	148,072	23,303	23,303	-	-	-
Total Title II - Improving Teacher Quality - State Grants						119,363	23,303	130,297	130,297	34,237
State Fiscal Stabilization Fund - Education State Grants - Recovery Act	I	84.394(M)	126-110037	7/1/10-6/30/11	1,102,686	275,671	275,671	-	-	-
Education Jobs Fund - Supplemental Grant	I	84.410A	140-120037	7/1/11-6/30/12	10,109	-	-	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) - Recovery Act	I	84.391(M)	062-100015	7/1/09-6/30/11	718,904	87,473	87,473	-	-	-
Special Education - Grants to States (IDEA, Part B)	I	84.027A(M)	062-120015	7/1/11-6/30/12	656,516	352,686	-	656,516	656,516	303,830
Special Education - Grants to States (IDEA, Part B)	I	84.027A(M)	062-110015	7/1/10-6/30/11	66,065	351,490	351,490	-	-	-
Special Education - Preschool Grants (IDEA, Preschool)		84.173(M)	N/A	7/1/11-6/30/12	4,433	4,433	-	4,433	4,433	
Total Special Education Cluster (IDEA)						796,082	438,963	660,949	660,949	303,830
Total U.S. Department of Education						$ 1,654,558	$ 852,568	$ 1,224,544	$ 1,224,544	$ 422,554
U.S Department of Health and Human Services										
Passed through PA Department of Welfare										
Medical Assistance Title XIX	I	93.778	44-009037	10/1/10-9/30/11	$ 234	$ 234	$ -	$ 234	$ 234	$ -
Total U.S. Department of Health and Human Services						$ 234	$ -	$ 234	$ 234	$ -
Total Federal Awards						$ 2,139,723	$ 855,960	$ 1,713,443	$ 1,713,443	$ 429,680

BIG SPRING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont'd.)
YEAR ENDED JUNE 30, 2012

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	$ 1,713,443
Less: State expenditures	39,372
Total federal expenditures	$ 1,674,071

Major programs

Grant Program Title	Federal CFDA#	Total Received	
U.S. Department of Education			
Title I - Grants to Local Educational Agencies	84.010		$ 423,189
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027A	$ 656,516	
Special Education - Preschool Grants (IDEA, Preschool)	84.173	4,433	
			660,949
Total (64.76% of total federal expenditures)			$ 1,084,138

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, 2012

A. Summary of auditor's results

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

   ■ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountant'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 accountant'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 accountant's report on compliance with requirements applicable to major federal awards was:

   ■ Unqualified ☐ 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, 2012

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

7. The District's major programs were:

Grant Program Title	Federal CFDA#
U.S. Department of Education	
Title I – Grants to Local Educational Agencies	84.010
Special Education Cluster (IDEA)	
Special Education - Grants to States (IDEA, Part B)	84.027A
Special Education - Preschool Grants (IDEA, Preschool)	84.173

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

Questioned Costs

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

#2012-1 Significant deficiency

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

Criteria

All required grant reports should be filed by the due date as specified by the grant contract.

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.

Effect

The comparison of grant expenditures versus actual receipts to date were not performed on a timely basis based on the contract. This caused a delay in monitoring future cash requirements and the applicable cash drawdown from Pennsylvania Department of Education. $ -0-

Cause

The grant accounting personnel were new to this grant and the applicable reporting requirements.

Recommendation

We recommend implementing procedures to ensure all required grant reporting requirements are communicated to all staff. In addition, time schedules or tickler files should be used to identify all pending report due dates.

Auditee's response

The 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.

#2011-1 Significant deficiency

Compliance Requirement - Period of Availability
Title I – Grants to Local Education Agencies, CFDA # 84.010
Education Jobs Fund, CFDA #84.410A

Condition

The District obligated Title I funds prior to the beginning of the grant period of September 1, 2010 per the approved consolidated application.

For the Education Jobs grant, we noted the District reported expenditures for the grant based on the date the expenditure was paid and not based on the date the charge was incurred.

School District's Corrective Action Plan

The District agrees that this is significant as stated; however there is some correspondence from PDE that stated we were allowed to commit in July and August. Regardless, the actual grant dates were exceeded and in the future the District will pay close attention to this and look for exceptions to standard operating procedure. The District incurred other eligible expense and no misuse of funds occurred. All personnel involved with the process are aware of the error and through teamwork will ensure it doesn't happen again.

Status

The District has enacted its corrective action plan. No deficiencies were noted in the current year's audit for internal control over the period of availability compliance for these programs. This finding is deemed resolved.

#2011-2 Significant deficiency

Compliance Requirement – Financial Reporting
State Fiscal Stabilization Fund – Education State Grants – Recovery Act, CFDA #84.394

Condition

The final report submitted was not in agreement to the District's general ledger for the portion of the grant related to the basic education funding increase up to and including 2.9%. Employee benefits were overstated on the final report by $33,915. The benefit expenditures reported were not reduced by the amount of the retirement and social security subsidy income as required.

School District's Corrective Action Plan

The District concurs with this finding. One of the many problems with these ARRA funds was continuously changing guidance and dates. In this case, again, we have another exception to what is standard operating procedure in using retirement and social security payments. The District incurred other eligible expense and no misuse of funds occurred. All personnel involved with the process are aware of the error and through teamwork will ensure it doesn't happen again.

Status

This grant finding ended in the prior year, June 30, 2011; therefore, current year status does not apply.

#2011-3 Significant deficiency

Compliance Requirement - Financial and Special Reporting
Special Education - Grants to States (IDEA, Part B) - Recovery Act, CFDA #84.391
Special Education - Grants to States (IDEA, Part B), CFDA #84.027A

Condition

The accounting worksheet submitted to the CAIU reported $1,780 more in supplies expense than the supplies category on the District's IDEA general ledger. The 1512 reports filed for the IDEA-ARRA grant for the quarters ended June 30, 2011 and September 30, 2011 did not include the vendor payments and should have reported these items.

School District's Corrective Action Plan

The District concurs with this finding. At this time the District was going through a change of personnel in the controller position and there was a disconnect between the general ledger and the grant reporting due to confusion over planned expense. The District incurred other eligible expense and no misuse of funds occurred. The controller will work with PDE on revising the 1512 report for the two quarters mentioned. All personnel involved with the process are aware of the error and through teamwork will ensure it doesn't happen again.

Status

The District has enacted its corrective action plan. No deficiencies were noted in the current year's audit for internal control over reporting compliance for these programs. This finding is deemed resolved.