

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SCOTT COUNTY SCHOOL DISTRICT 2  
SCOTT COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
10/07/2016



## 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 .....	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis .....	20-33
Schedule of Payables and Receivables .....	34
Schedule of Leases and Debt .....	35
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance .....	38-40
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	42-43
Notes to Schedule of Expenditures of Federal Awards .....	44
Schedule of Findings and Questioned Costs .....	45-60
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings .....	62-63
Corrective Action Plan .....	64-67
Other Reports .....	68

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Steve Nauman Melinda Sparkman	01-01-12 to 01-05-14 01-06-14 to 12-31-16
Superintendent of Schools	Dr. Philip Deardorff Dr. Marc Slaton	07-01-12 to 06-30-13 07-01-13 to 06-30-17
President of the School Board	Teresa Cozart Jason Kendall	01-01-12 to 12-31-12 01-01-13 to 12-31-16



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SCOTT COUNTY SCHOOL DISTRICT 2, SCOTT COUNTY, INDIANA

### **Report on the Financial Statement**

We have audited the accompanying financial statement of the Scott County School District 2 (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, 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 of 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 of 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, 2012 to June 30, 2014.

***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, 2012 to June 30, 2014, 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 Payables and Receivables, and Schedule of Leases and Debt, 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 August 15, 2016, 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

August 15, 2016



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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 SCOTT COUNTY SCHOOL DISTRICT 2, SCOTT 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 Scott County School District 2 (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated August 15, 2016, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 2014-001 and 2014-002 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**

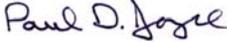
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 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 items 2014-001 and 2014-002.

**Scott County School District 2's 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

August 15, 2016

(This page intentionally left blank.)

## 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.

(This page intentionally left blank.)

SCOTT COUNTY SCHOOL DISTRICT 2  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2013 and 2014

Fund	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 246,601	\$ 17,367,886	\$ 17,373,162	\$ 41,676	\$ 283,001	\$ 17,204,545	\$ 17,264,643	\$ 139,319	\$ 362,222
Debt Service	893,523	2,440,959	2,057,786	(5,433)	1,271,263	2,303,375	2,028,708	(9,694)	1,536,236
Retirement/Severance Bond Debt Service	170,384	399,992	505,201	-	65,175	509,469	503,864	-	70,780
Capital Projects	785,857	1,824,108	1,630,222	-	979,743	1,786,710	2,311,141	6,496	461,808
School Transportation	128,166	1,818,198	1,670,964	(38,306)	237,094	1,685,817	1,578,268	(139,319)	205,324
School Bus Replacement	122,640	407,266	244,033	-	285,873	371,621	242,639	-	414,855
Retirement/Severance Bond	2,156,856	-	-	-	2,156,856	63,893	585,895	-	1,634,854
Construction	63,106	13,000	14,660	-	61,446	-	167,970	1,990,000	1,883,476
School Lunch	536,530	1,307,568	1,243,381	-	600,717	1,200,484	1,219,761	-	581,440
Textbook Rental	181,397	253,568	211,693	5,433	228,705	304,611	470,082	9,694	72,928
Educational License Plates	638	356	-	-	994	262	758	-	498
Scottsburg Band Parents	1,652	17,702	17,090	-	2,264	9,202	7,857	-	3,609
ECA Reimbursable Activities	-	13,439	12,257	-	1,182	2,641	4,894	-	(1,071)
Pepsi - ECA Field Trips	-	22,024	-	-	-	27,250	10,090	-	17,160
John Ulen Scholarship Fund	23,503	-	1,497	-	22,006	-	1,750	-	20,256
Alumni Class of 56 Scholarship	15,989	75	1,000	-	15,064	25	1,000	-	14,089
SHS Alumni Association	7,328	-	-	-	7,328	370	3,331	-	4,367
M E P Scholarship Fund	43,696	-	500	-	43,196	-	500	1,971	44,667
Ivan & Faye Rogers Scholarship	2,441	-	500	-	1,941	-	500	-	1,441
Wilson Scholarship Fund	3,654	-	500	-	3,154	-	500	-	2,654
SCSD2 SHS Scholarship Fund	540	-	-	-	540	-	-	(540)	-
Mildred McNay Scholarship Fund	350	-	-	-	350	-	-	-	350
Band of Warriors Winter Guard	2,529	6,843	7,353	-	2,019	6,950	7,018	-	1,951
Kids First / We Care	15,213	30,233	22,393	-	23,053	23,782	22,039	-	24,796
Section 125 - Unreimburse Medical	-	16,033	15,908	-	125	9,975	9,007	-	1,093
Elearning Cadre State Grant	(710)	710	-	-	-	-	-	-	-
Washington National Stock	1,414	8	-	-	1,422	23	-	(1,431)	14
Elementary Mentor Fund	150	-	-	-	150	-	112	-	38
Excellence Education Donation	431	-	22	-	409	-	-	-	409
Classroom Teacher Grants	1,629	1,595	1,553	-	1,671	10,266	6,800	-	5,137
Collier - Warriorette Basketball	171	-	-	-	171	-	-	-	171
Donations for School Buildings	12,178	29,243	22,882	-	18,539	7,123	9,392	-	16,270
Student School Lunch Donations	-	-	-	-	-	164	-	-	164
Connect - Abilities Services	-	-	-	-	-	20,143	24,935	-	(4,792)
Tech Prep Staff Development	223	-	-	-	223	-	-	-	223
Secured Schools Safety Grant	-	-	-	-	-	-	126,899	-	(126,899)
Non-English Speaking Programs P.L. 273-1999	-	1,508	-	-	1,508	-	1,508	-	-
School Technology	12,044	255,101	249,263	-	17,882	231,030	224,036	-	24,876
G & T - Higher Ability Grant	7,801	34,709	37,041	-	5,469	34,906	27,088	-	13,287
IU Mentor Teacher Training	240	-	-	-	240	-	-	-	240
Project Lead The Way	6,885	2,454	9,339	-	-	-	-	-	-
Elearning Classroom Grant	-	77,810	77,810	-	-	71,793	73,634	-	(1,841)
Title I - 12-7255, 14-7255	(36,410)	145,250	108,840	-	-	522,759	659,543	-	(136,784)
Title I (13-7255)	-	570,827	594,456	-	(23,629)	97,232	73,603	-	-
Title I - Part D (13-7255)	-	60,885	60,885	-	-	-	-	-	-
Title I - Part D (14-7255)	-	-	-	-	-	60,898	60,898	-	-
Drug Free Schools	496	-	496	-	-	-	-	-	-
Americorps Grants	-	-	-	-	-	139,848	177,836	-	(37,988)
High Schools That Work	750	-	750	-	-	-	-	-	-
21st Century Learning Centers	-	150,958	147,588	(3,370)	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A FFY 11 & 12	(5,241)	160,345	156,178	-	(1,074)	69,503	73,887	-	(5,458)
Title II, Part A - Digiaploozza	-	-	181	-	(181)	16,288	16,239	-	(132)
ITQ, Enhanced Education Through Technology, Title II, Part D	(734)	33,372	32,638	-	-	-	-	-	-
Rural Schools and Low Income Program - Pass Through State	-	60,023	62,882	-	(2,859)	39,494	43,372	-	(6,737)
Education Jobs	(50,925)	137,218	86,293	-	-	-	-	-	-
Payroll Withholding	-	4,381,817	4,381,817	-	-	4,552,483	4,540,965	-	11,518
Prepaid Food	(18,111)	364,963	431,328	-	(84,476)	440,376	373,074	-	(17,174)
<b>Totals</b>	<b>\$ 5,334,874</b>	<b>\$ 32,408,046</b>	<b>\$ 31,514,366</b>	<b>\$ -</b>	<b>\$ 6,228,554</b>	<b>\$ 31,825,311</b>	<b>\$ 32,956,036</b>	<b>\$ 1,996,496</b>	<b>\$ 7,094,325</b>

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

SCOTT COUNTY SCHOOL DISTRICT 2  
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, which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources, which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

SCOTT COUNTY SCHOOL DISTRICT 2  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State sources, which include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources, which include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans, which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Interfund loans, which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts, which include 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, which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services, which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services, which include outflows for food service operations and community service operations.

Facilities acquisition and construction, which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services, which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges, which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, funds held temporarily for an authorized recipient, and self-insurance payments.

SCOTT COUNTY SCHOOL DISTRICT 2  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Interfund loans, which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*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:

Proceeds of long-term debt, which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets, which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

Transfers in, which includes money 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.

Transfers out, which includes money 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 money 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 money 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.

SCOTT COUNTY SCHOOL DISTRICT 2  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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 March 1 (lien date) 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.

**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

SCOTT COUNTY SCHOOL DISTRICT 2  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

*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

SCOTT COUNTY SCHOOL DISTRICT 2  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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 some funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2013 and 2014. The Prepaid Food fund had a cash deficit due to uncollectible meal accounts.

**Note 8. Holding Corporations**

The School Corporation has entered into a capital lease with Scott County School District 2 Middle 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 ending June 30, 2013 and 2014, totaled \$1,359,000 and \$1,364,500, respectively.

The School Corporation has entered into a capital lease with Scott County School District 2 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 ending June 30, 2013 and 2014, totaled \$215,000 and \$216,000, respectively.

**Note 9. Subsequent Events**

The School Corporation has notified Madison Area Educational Special Services Unit of their intent to withdraw from the special education cooperative as of June 30, 2016.

(This page intentionally left blank.)

## 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 Financial Reports of the School Corporation 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.

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 246,601	\$ 893,523	\$ 170,384	\$ 785,857	\$ 128,166	\$ 122,640	\$ 2,156,856	\$ 63,106	\$ 536,530
Receipts:									
Local sources	38,566	2,440,959	399,992	1,821,458	1,772,406	407,266	-	-	459,763
Intermediate sources	12	-	-	-	-	-	-	-	-
State sources	17,277,584	-	-	-	-	-	-	-	12,473
Federal sources	-	-	-	-	-	-	-	-	773,150
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	51,724	-	-	2,650	45,792	-	-	13,000	62,182
Total receipts	<u>17,367,886</u>	<u>2,440,959</u>	<u>399,992</u>	<u>1,824,108</u>	<u>1,818,198</u>	<u>407,266</u>	<u>-</u>	<u>13,000</u>	<u>1,307,568</u>
Disbursements:									
Instruction	12,222,447	-	-	-	-	-	-	-	-
Support services	5,002,442	-	-	852,092	1,684,743	244,033	-	-	-
Noninstructional services	148,273	-	-	-	-	-	-	-	1,222,570
Facilities acquisition and construction	-	-	-	778,130	(13,779)	-	-	14,660	20,811
Debt services	-	2,057,786	505,201	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>17,373,162</u>	<u>2,057,786</u>	<u>505,201</u>	<u>1,630,222</u>	<u>1,670,964</u>	<u>244,033</u>	<u>-</u>	<u>14,660</u>	<u>1,243,381</u>
Excess (deficiency) of receipts over disbursements	<u>(5,276)</u>	<u>383,173</u>	<u>(105,209)</u>	<u>193,886</u>	<u>147,234</u>	<u>163,233</u>	<u>-</u>	<u>(1,660)</u>	<u>64,187</u>
Other financing sources (uses):									
Transfers in	41,676	-	-	-	-	-	-	-	-
Transfers out	-	(5,433)	-	-	(38,306)	-	-	-	-
Total other financing sources (uses)	<u>41,676</u>	<u>(5,433)</u>	<u>-</u>	<u>-</u>	<u>(38,306)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>36,400</u>	<u>377,740</u>	<u>(105,209)</u>	<u>193,886</u>	<u>108,928</u>	<u>163,233</u>	<u>-</u>	<u>(1,660)</u>	<u>64,187</u>
Cash and investments - ending	<u>\$ 283,001</u>	<u>\$ 1,271,263</u>	<u>\$ 65,175</u>	<u>\$ 979,743</u>	<u>\$ 237,094</u>	<u>\$ 285,873</u>	<u>\$ 2,156,856</u>	<u>\$ 61,446</u>	<u>\$ 600,717</u>

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Textbook Rental	Educational License Plates	Scottsburg Band Parents	ECA Reimbursable Activities	Pepsi - ECA Field Trips	John Ulen Scholarship Fund	Alumni Class of 56 Scholarship	SHS Alumni Association	M E P Scholarship Fund
Cash and investments - beginning	\$ 181,397	\$ 638	\$ 1,652	\$ -	\$ -	\$ 23,503	\$ 15,989	\$ 7,328	\$ 43,696
Receipts:									
Local sources	133,197	-	505	13,439	12,524	-	75	-	-
Intermediate sources	-	356	-	-	-	-	-	-	-
State sources	118,505	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	1,866	-	17,197	-	9,500	-	-	-	-
Total receipts	253,568	356	17,702	13,439	22,024	-	75	-	-
Disbursements:									
Instruction	-	-	17,090	-	-	1,497	-	-	-
Support services	161,434	-	-	-	22,024	-	-	-	-
Noninstructional services	-	-	-	12,257	-	-	-	-	-
Facilities acquisition and construction	50,259	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	1,000	-	500
Total disbursements	211,693	-	17,090	12,257	22,024	1,497	1,000	-	500
Excess (deficiency) of receipts over disbursements	41,875	356	612	1,182	-	(1,497)	(925)	-	(500)
Other financing sources (uses):									
Transfers in	5,433	-	3,747	-	-	-	-	-	-
Transfers out	-	-	(3,747)	-	-	-	-	-	-
Total other financing sources (uses)	5,433	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	47,308	356	612	1,182	-	(1,497)	(925)	-	(500)
Cash and investments - ending	\$ 228,705	\$ 994	\$ 2,264	\$ 1,182	\$ -	\$ 22,006	\$ 15,064	\$ 7,328	\$ 43,196

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Ivan & Faye Rogers Scholarship	Wilson Scholarship Fund	SCSD2 SHS Scholarship Fund	Mildred McNay Scholarship Fund	Band of Warriors Winter Guard	Kids First / We Care	Section 125 - Unreimburse Medical	Elearning Cadre State Grant
Cash and investments - beginning	\$ 2,441	\$ 3,654	\$ 540	\$ 350	\$ 2,529	\$ 15,213	\$ -	\$ (710)
Receipts:								
Local sources	-	-	-	-	675	29,674	16,033	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	6,168	559	-	710
Total receipts	-	-	-	-	6,843	30,233	16,033	710
Disbursements:								
Instruction	-	-	-	-	7,353	22,393	15,908	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	500	500	-	-	-	-	-	-
Total disbursements	500	500	-	-	7,353	22,393	15,908	-
Excess (deficiency) of receipts over disbursements	(500)	(500)	-	-	(510)	7,840	125	710
Other financing sources (uses):								
Transfers in	-	-	-	-	3,747	-	-	-
Transfers out	-	-	-	-	(3,747)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(500)	(500)	-	-	(510)	7,840	125	710
Cash and investments - ending	\$ 1,941	\$ 3,154	\$ 540	\$ 350	\$ 2,019	\$ 23,053	\$ 125	\$ -

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Washington National Stock	Elementary Mentor Fund	Excellence Education Donation	Classroom Teacher Grants	Collier - Warriorette Basketball	Donations for School Buildings	Student School Lunch Donations	Connect - Abilities Services
Cash and investments - beginning	\$ 1,414	\$ 150	\$ 431	\$ 1,629	\$ 171	\$ 12,178	\$ -	\$ -
Receipts:								
Local sources	8	-	-	1,595	-	29,243	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>8</u>	<u>-</u>	<u>-</u>	<u>1,595</u>	<u>-</u>	<u>29,243</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	-	-	-	1,553	-	3,909	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	22	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	18,973	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>22</u>	<u>1,553</u>	<u>-</u>	<u>22,882</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>8</u>	<u>-</u>	<u>(22)</u>	<u>42</u>	<u>-</u>	<u>6,361</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
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>8</u>	<u>-</u>	<u>(22)</u>	<u>42</u>	<u>-</u>	<u>6,361</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,422</u>	<u>\$ 150</u>	<u>\$ 409</u>	<u>\$ 1,671</u>	<u>\$ 171</u>	<u>\$ 18,539</u>	<u>\$ -</u>	<u>\$ -</u>

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Tech Prep Staff Development	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	G & T - Higher Ability Grant	IU Mentor Teacher Training	Project Lead The Way	Elearning Classroom Grant
Cash and investments - beginning	\$ 223	\$ -	\$ -	\$ 12,044	\$ 7,801	\$ 240	\$ 6,885	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	1,508	7,427	34,709	-	2,454	77,810
Federal sources	-	-	-	25,951	-	-	-	-
Temporary loans	-	-	-	219,438	-	-	-	-
Other receipts	-	-	-	2,285	-	-	-	-
Total receipts	-	-	1,508	255,101	34,709	-	2,454	77,810
Disbursements:								
Instruction	-	-	-	-	37,041	-	9,339	-
Support services	-	-	-	19,130	-	-	-	20,310
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	230,133	-	-	-	57,500
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	249,263	37,041	-	9,339	77,810
Excess (deficiency) of receipts over disbursements	-	-	1,508	5,838	(2,332)	-	(6,885)	-
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	-	-	1,508	5,838	(2,332)	-	(6,885)	-
Cash and investments - ending	\$ 223	\$ -	\$ 1,508	\$ 17,882	\$ 5,469	\$ 240	\$ -	\$ -

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Title I - 12-7255, 14-7255	Title I (13-7255)	Title I - Part D (13-7255)	Title I - Part D (14-7255)	Drug Free Schools	Americorps Grants	High Schools That Work	21st Century Learning Centers
Cash and investments - beginning	\$ (36,410)	\$ -	\$ -	\$ -	\$ 496	\$ -	\$ 750	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	145,250	570,827	60,885	-	-	-	-	150,958
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>145,250</u>	<u>570,827</u>	<u>60,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,958</u>
Disbursements:								
Instruction	110,425	373,894	60,885	-	496	-	750	147,588
Support services	(1,178)	9,048	-	-	-	-	-	-
Noninstructional services	(407)	211,514	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>108,840</u>	<u>594,456</u>	<u>60,885</u>	<u>-</u>	<u>496</u>	<u>-</u>	<u>750</u>	<u>147,588</u>
Excess (deficiency) of receipts over disbursements	<u>36,410</u>	<u>(23,629)</u>	<u>-</u>	<u>-</u>	<u>(496)</u>	<u>-</u>	<u>(750)</u>	<u>3,370</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(3,370)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,370)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>36,410</u>	<u>(23,629)</u>	<u>-</u>	<u>-</u>	<u>(496)</u>	<u>-</u>	<u>(750)</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (23,629)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Improving Teaching Quality, No Child Left, Title II, Part A FFY 11 & 12	Title II, Part A - Digiaplooza	ITQ, Enhanced Education Through Technology, Title II, Part D	Rural Schools and Low Income Program - Pass Through State	Education Jobs	Payroll Withholding	Prepaid Food	Totals
Cash and investments - beginning	\$ (5,241)	\$ -	\$ (734)	\$ -	\$ (50,925)	\$ -	\$ (18,111)	\$ 5,334,874
Receipts:								
Local sources	-	-	-	-	-	-	-	7,577,378
Intermediate sources	-	-	-	-	-	-	-	368
State sources	-	-	-	-	-	-	-	17,532,470
Federal sources	160,345	-	33,372	60,023	137,218	-	-	2,117,979
Temporary loans	-	-	-	-	-	-	-	219,438
Other receipts	-	-	-	-	-	4,381,817	364,963	4,960,413
Total receipts	<u>160,345</u>	<u>-</u>	<u>33,372</u>	<u>60,023</u>	<u>137,218</u>	<u>4,381,817</u>	<u>364,963</u>	<u>32,408,046</u>
Disbursements:								
Instruction	-	-	-	-	26,396	-	-	13,058,964
Support services	156,178	181	32,638	62,882	59,897	-	-	8,325,854
Noninstructional services	-	-	-	-	-	-	-	1,594,229
Facilities acquisition and construction	-	-	-	-	-	-	-	1,156,687
Debt services	-	-	-	-	-	-	-	2,562,987
Nonprogrammed charges	-	-	-	-	-	4,381,817	431,328	4,815,645
Total disbursements	<u>156,178</u>	<u>181</u>	<u>32,638</u>	<u>62,882</u>	<u>86,293</u>	<u>4,381,817</u>	<u>431,328</u>	<u>31,514,366</u>
Excess (deficiency) of receipts over disbursements	<u>4,167</u>	<u>(181)</u>	<u>734</u>	<u>(2,859)</u>	<u>50,925</u>	<u>-</u>	<u>(66,365)</u>	<u>893,680</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	54,603
Transfers out	-	-	-	-	-	-	-	(54,603)
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>4,167</u>	<u>(181)</u>	<u>734</u>	<u>(2,859)</u>	<u>50,925</u>	<u>-</u>	<u>(66,365)</u>	<u>893,680</u>
Cash and investments - ending	\$ <u>(1,074)</u>	\$ <u>(181)</u>	\$ <u>-</u>	\$ <u>(2,859)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(84,476)</u>	\$ <u>6,228,554</u>

SCOTT COUNTY SCHOOL DISTRICT 2  
 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 283,001	\$ 1,271,263	\$ 65,175	\$ 979,743	\$ 237,094	\$ 285,873	\$ 2,156,856	\$ 61,446	\$ 600,717
Receipts:									
Local sources	266,341	2,303,375	509,469	1,786,555	1,685,784	371,621	-	-	400,679
Intermediate sources	27	-	-	-	-	-	-	-	-
State sources	16,811,777	-	-	-	-	-	-	-	13,565
Federal sources	-	-	-	-	-	-	-	-	750,411
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	63,893	-	-
Other receipts	126,400	-	-	155	33	-	-	-	35,829
Total receipts	<u>17,204,545</u>	<u>2,303,375</u>	<u>509,469</u>	<u>1,786,710</u>	<u>1,685,817</u>	<u>371,621</u>	<u>63,893</u>	<u>-</u>	<u>1,200,484</u>
Disbursements:									
Instruction	12,122,876	-	-	-	-	-	522,002	-	-
Support services	5,005,389	-	-	1,160,518	1,578,268	242,639	-	-	-
Noninstructional services	136,378	-	-	-	-	-	-	-	1,217,681
Facilities acquisition and construction	-	-	-	1,150,623	-	-	-	167,970	2,080
Debt services	-	2,028,708	503,864	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	63,893	-	-
Total disbursements	<u>17,264,643</u>	<u>2,028,708</u>	<u>503,864</u>	<u>2,311,141</u>	<u>1,578,268</u>	<u>242,639</u>	<u>585,895</u>	<u>167,970</u>	<u>1,219,761</u>
Excess (deficiency) of receipts over disbursements	<u>(60,098)</u>	<u>274,667</u>	<u>5,605</u>	<u>(524,431)</u>	<u>107,549</u>	<u>128,982</u>	<u>(522,002)</u>	<u>(167,970)</u>	<u>(19,277)</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	1,990,000	-
Sale of capital assets	-	-	-	6,496	-	-	-	-	-
Transfers in	139,319	-	-	-	-	-	-	-	-
Transfers out	-	(9,694)	-	-	(139,319)	-	-	-	-
Total other financing sources (uses)	<u>139,319</u>	<u>(9,694)</u>	<u>-</u>	<u>6,496</u>	<u>(139,319)</u>	<u>-</u>	<u>-</u>	<u>1,990,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>79,221</u>	<u>264,973</u>	<u>5,605</u>	<u>(517,935)</u>	<u>(31,770)</u>	<u>128,982</u>	<u>(522,002)</u>	<u>1,822,030</u>	<u>(19,277)</u>
Cash and investments - ending	<u>\$ 362,222</u>	<u>\$ 1,536,236</u>	<u>\$ 70,780</u>	<u>\$ 461,808</u>	<u>\$ 205,324</u>	<u>\$ 414,855</u>	<u>\$ 1,634,854</u>	<u>\$ 1,883,476</u>	<u>\$ 581,440</u>

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Textbook Rental	Educational License Plates	Scottsburg Band Parents	ECA Reimbursable Activities	Pepsi - ECA Field Trips	John Ulen Scholarship Fund	Alumni Class of 56 Scholarship	SHS Alumni Association	M E P Scholarship Fund
Cash and investments - beginning	\$ 228,705	\$ 994	\$ 2,264	\$ 1,182	\$ -	\$ 22,006	\$ 15,064	\$ 7,328	\$ 43,196
Receipts:									
Local sources	124,880	-	400	2,641	27,250	-	25	370	-
Intermediate sources	-	262	-	-	-	-	-	-	-
State sources	116,538	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	58,125	-	-	-	-	-	-	-	-
Other receipts	5,068	-	8,802	-	-	-	-	-	-
Total receipts	304,611	262	9,202	2,641	27,250	-	25	370	-
Disbursements:									
Instruction	-	-	7,857	-	-	1,750	-	81	-
Support services	268,191	758	-	-	10,090	-	-	3,250	-
Noninstructional services	-	-	-	4,894	-	-	-	-	-
Facilities acquisition and construction	143,766	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	1,000	-	500
Interfund loans	58,125	-	-	-	-	-	-	-	-
Total disbursements	470,082	758	7,857	4,894	10,090	1,750	1,000	3,331	500
Excess (deficiency) of receipts over disbursements	(165,471)	(496)	1,345	(2,253)	17,160	(1,750)	(975)	(2,961)	(500)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	9,694	-	-	-	-	-	-	-	1,971
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	9,694	-	-	-	-	-	-	-	1,971
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(155,777)	(496)	1,345	(2,253)	17,160	(1,750)	(975)	(2,961)	1,471
Cash and investments - ending	\$ 72,928	\$ 498	\$ 3,609	\$ (1,071)	\$ 17,160	\$ 20,256	\$ 14,089	\$ 4,367	\$ 44,667

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Ivan & Faye Rogers Scholarship	Wilson Scholarship Fund	SCSD2 SHS Scholarship Fund	Mildred McNay Scholarship Fund	Band of Warriors Winter Guard	Kids First / We Care	Section 125 - Unreimburse Medical	Elearning Cadre State Grant
Cash and investments - beginning	\$ 1,941	\$ 3,154	\$ 540	\$ 350	\$ 2,019	\$ 23,053	\$ 125	\$ -
Receipts:								
Local sources	-	-	-	-	50	23,782	9,975	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	6,900	-	-	-
Total receipts	-	-	-	-	6,950	23,782	9,975	-
Disbursements:								
Instruction	-	-	-	-	7,018	22,039	9,007	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	500	500	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	500	500	-	-	7,018	22,039	9,007	-
Excess (deficiency) of receipts over disbursements	(500)	(500)	-	-	(68)	1,743	968	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(540)	-	-	-	-	-
Total other financing sources (uses)	-	-	(540)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(500)	(500)	(540)	-	(68)	1,743	968	-
Cash and investments - ending	\$ 1,441	\$ 2,654	\$ -	\$ 350	\$ 1,951	\$ 24,796	\$ 1,093	\$ -

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Washington National Stock	Elementary Mentor Fund	Excellence Education Donation	Classroom Teacher Grants	Collier - Warriorette Basketball	Donations for School Buildings	Student School Lunch Donations	Connect - Abilities Services
Cash and investments - beginning	\$ 1,422	\$ 150	\$ 409	\$ 1,671	\$ 171	\$ 18,539	\$ -	\$ -
Receipts:								
Local sources	23	-	-	2,320	-	7,123	164	14,375
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	5,768
Other receipts	-	-	-	7,946	-	-	-	-
Total receipts	23	-	-	10,266	-	7,123	164	20,143
Disbursements:								
Instruction	-	-	-	2,500	-	8,877	-	19,167
Support services	-	112	-	4,300	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	515	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	5,768
Total disbursements	-	112	-	6,800	-	9,392	-	24,935
Excess (deficiency) of receipts over disbursements	23	(112)	-	3,466	-	(2,269)	164	(4,792)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(1,431)	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,431)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,408)	(112)	-	3,466	-	(2,269)	164	(4,792)
Cash and investments - ending	\$ 14	\$ 38	\$ 409	\$ 5,137	\$ 171	\$ 16,270	\$ 164	\$ (4,792)

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Tech Prep Staff Development	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	G & T - Higher Ability Grant	IU Mentor Teacher Training	Project Lead The Way	Elearning Classroom Grant
Cash and investments - beginning	\$ 223	\$ -	\$ 1,508	\$ 17,882	\$ 5,469	\$ 240	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	8,389	34,906	-	-	71,793
Federal sources	-	-	-	22,117	-	-	-	-
Temporary loans	-	-	-	195,569	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	4,955	-	-	-	-
Total receipts	-	-	-	231,030	34,906	-	-	71,793
Disbursements:								
Instruction	-	-	1,508	-	27,088	-	-	-
Support services	-	-	-	8,358	-	-	-	73,529
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	126,899	-	215,678	-	-	-	105
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	126,899	1,508	224,036	27,088	-	-	73,634
Excess (deficiency) of receipts over disbursements	-	(126,899)	(1,508)	6,994	7,818	-	-	(1,841)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(126,899)	(1,508)	6,994	7,818	-	-	(1,841)
Cash and investments - ending	\$ 223	\$ (126,899)	\$ -	\$ 24,876	\$ 13,287	\$ 240	\$ -	\$ (1,841)

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Title I - 12-7255, 14-7255	Title I (13-7255)	Title I - Part D (13-7255)	Title I - Part D (14-7255)	Drug Free Schools	Americorps Grants	High Schools That Work	21st Century Learning Centers
Cash and investments - beginning	\$ -	\$ (23,629)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	522,759	97,232	-	60,898	-	139,848	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	522,759	97,232	-	60,898	-	139,848	-	-
Disbursements:								
Instruction	431,695	37,799	-	60,898	-	-	-	-
Support services	5,057	167	-	-	-	-	-	-
Noninstructional services	222,791	35,637	-	-	-	177,836	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	659,543	73,603	-	60,898	-	177,836	-	-
Excess (deficiency) of receipts over disbursements	(136,784)	23,629	-	-	-	(37,988)	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(136,784)	23,629	-	-	-	(37,988)	-	-
Cash and investments - ending	\$ (136,784)	\$ -	\$ -	\$ -	\$ -	\$ (37,988)	\$ -	\$ -

SCOTT COUNTY SCHOOL DISTRICT 2  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Improving Teaching Quality, No Child Left, Title II, Part A FFY 11 & 12	Title II, Part A - Digiaplooza	ITQ, Enhanced Education Through Technology, Title II, Part D	Rural Schools and Low Income Program - Pass Through State	Education Jobs	Payroll Withholding	Prepaid Food	Totals
Cash and investments - beginning	\$ (1,074)	\$ (181)	\$ -	\$ (2,859)	\$ -	\$ -	\$ (84,476)	\$ 6,228,554
Receipts:								
Local sources	-	-	-	-	-	-	-	7,537,202
Intermediate sources	-	-	-	-	-	-	-	289
State sources	-	-	-	-	-	-	-	17,056,968
Federal sources	69,503	16,288	-	39,494	-	-	-	1,718,550
Temporary loans	-	-	-	-	-	-	-	195,569
Interfund loans	-	-	-	-	-	-	-	127,786
Other receipts	-	-	-	-	-	4,552,483	440,376	5,188,947
Total receipts	69,503	16,288	-	39,494	-	4,552,483	440,376	31,825,311
Disbursements:								
Instruction	-	-	-	-	-	-	-	13,282,162
Support services	73,887	16,239	-	43,372	-	-	-	8,494,124
Noninstructional services	-	-	-	-	-	-	-	1,795,217
Facilities acquisition and construction	-	-	-	-	-	-	-	1,807,636
Debt services	-	-	-	-	-	-	-	2,532,572
Nonprogrammed charges	-	-	-	-	-	4,540,965	373,074	4,916,539
Interfund loans	-	-	-	-	-	-	-	127,786
Total disbursements	73,887	16,239	-	43,372	-	4,540,965	373,074	32,956,036
Excess (deficiency) of receipts over disbursements	(4,384)	49	-	(3,878)	-	11,518	67,302	(1,130,725)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,990,000
Sale of capital assets	-	-	-	-	-	-	-	6,496
Transfers in	-	-	-	-	-	-	-	150,984
Transfers out	-	-	-	-	-	-	-	(150,984)
Total other financing sources (uses)	-	-	-	-	-	-	-	1,996,496
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,384)	49	-	(3,878)	-	11,518	67,302	865,771
Cash and investments - ending	\$ (5,458)	\$ (132)	\$ -	\$ (6,737)	\$ -	\$ 11,518	\$ (17,174)	\$ 7,094,325

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 1,151,363</u>	<u>\$ 3,006,497</u>

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF LEASES AND DEBT  
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Apple	computer hardware	\$ 301,965	06/21/14	06/21/17
Pitney Bowes	postage machine	1,260	01/01/10	01/01/15
Van Ausdall & Farrar	copier contracts	78,480	02/01/14	02/01/19
Scott County School District 2 Middle School Building Corporation	Scottsburg Middle School Building	1,397,500	05/01/07	01/15/25
Scott County School District 2 Building Corporation	2009 Technology Building Renovation	<u>205,525</u>	01/12/10	01/01/20
Total of annual lease payments		<u>\$ 1,984,730</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
2013 General obligation bonds		Misc projects at all schools	\$ 1,910,000	\$ 123,145
2010 General obligation bonds		Meyer Gym	460,000	239,200
2004 General obligation bonds		Pension bonds	245,000	250,929
Notes and loans payable		Common School 2009	27,635	27,773
Notes and loans payable		Common School 2011	182,140	53,731
Notes and loans payable		Common School 2012	177,660	52,410
Notes and loans payable		Common School 2013	<u>228,420</u>	<u>52,917</u>
Totals			<u>\$ 3,230,855</u>	<u>\$ 800,105</u>

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE SCOTT COUNTY SCHOOL DISTRICT 2, SCOTT COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Scott County School District 2's (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, 2012 to June 30, 2014. 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.

***Basis for Qualified Opinion on Child Nutrition Cluster and Title I, Part A Cluster***

As described in items 2014-008 and 2014-014 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Special Tests and Provisions - Paid Lunch Equity and Suspension and Debarment. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

As described in items 2014-004, 2014-005, 2014-006, and 2014-007 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs/Cost Principles, Cash Management, Activities Allowed or Unallowed, Program Income, Special Test and Provisions - School Food Accounts, and Reporting that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

As described in items 2014-011 and 2014-012 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Title I, Part A Cluster regarding Special Tests and Provisions - Comparability and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

As described in item 2014-009 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs/Cost Principles that are applicable to its Title I, Part A Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

***Qualified Opinion on Child Nutrition Cluster and Title I, Part A Cluster***

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of the Child Nutrition Cluster regarding Special Tests and Provisions - Paid Lunch Equity and Suspension and Debarment and Title I, Part A Cluster regarding Special Tests and Provisions - Comparability and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals, and except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster and Title I, Part A Cluster* paragraphs the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster and Title I, Part A Cluster for the period of July 1, 2012 to June 30, 2014.

***Unmodified Opinion on Each of the Other Major Federal Programs***

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2012 to June 30, 2014.

***Other 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

**Report on Internal Control over Compliance**

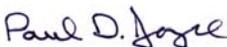
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over 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 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 2014-003, 2014-004, 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, 2014-010, 2014-011, 2014-012, 2014-013, and 2014-014 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

August 15, 2016

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.

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2013 and 2014

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 06-30-13	Total Federal Awards Expended 06-30-14
<b><u>Department of Agriculture</u></b>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
SY 12-13			SY 12-13	\$ 145,709	\$ -
SY 13-14			SY 13-14	-	129,609
Total - School Breakfast Program				<u>145,709</u>	<u>129,609</u>
National School Lunch Program					
Lunch Program FY 13	Indiana Department of Education	10.555		712,734	-
Lunch Program FY 14			SY 13-14	-	702,737
Total - National School Lunch Program				<u>712,734</u>	<u>702,737</u>
Total - Child Nutrition Cluster				<u>858,443</u>	<u>832,346</u>
Total - Department of Agriculture				<u>858,443</u>	<u>832,346</u>
<b><u>Department of Education</u></b>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Basic Grant FY12			12-7255	145,250	-
Basic Grant FY13			13-7255	570,827	97,232
Basic Grant FY14			14-7255	-	522,759
Delinquent Children FY13			SY 12-13	60,885	-
Delinquent Children FY14			SY 13-14	-	60,898
Total - Title I Grants to Local Educational Agencies				<u>776,962</u>	<u>680,889</u>
Total - Title I, Part A Cluster				<u>776,962</u>	<u>680,889</u>
Special Education Cluster (IDEA)					
Special Education_Grants to States	Indiana Department of Education	84.027			
			14211-038-PN01	50,085	-
			14212-038-PN01	332,647	59,061
			14213-038-PN01	162,033	357,409
			14214-038-PN01	-	139,279
			99914-157-TA01	-	2,003
Total - Special Education_Grants to States				<u>544,765</u>	<u>557,752</u>
Special Education_Preschool Grants					
	Indiana Department of Education	84.173			
			45711-038-PN01	9,888	-
			45712-038-PN01	20,186	10,500
			45713-038-PN01	92	28,574
Total - Special Education_Preschool Grants				<u>30,166</u>	<u>39,074</u>
Total - Special Education Cluster (IDEA)				<u>574,931</u>	<u>596,826</u>

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

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2013 and 2014  
(Continued)

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 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Education (continued)</u>					
Educational Technology State Grants Cluster Educational Technology State Grants	Indiana Department of Education	84.318	A58-1-11IT-028	33,372	-
Total - Educational Technology State Grants Cluster				33,372	-
Twenty - First Century Community Learning Centers After School Learning Centers	Indiana Department of Education	84.287	S287C110014	150,958	-
Rural Education Rural and Low Income Grant Rural and Low Income Grant	Indiana Department of Education	84.358	FY11 FY12	60,023 -	7,399 32,095
Total - Rural Education				60,023	39,494
Improving Teacher Quality State Grants SY 12-13 SY 13-14 Digiaplooza	Indiana Department of Education	84.367	SY 12-13 SY 13-14 A58-3-13IT-1183	111,255 49,090 -	- 69,503 16,288
Total - Improving Teacher Quality State Grants				160,345	85,791
Education Jobs Fund SY 12-13	Indiana Department of Education	84.410	SY 12-13	137,218	-
Total - Department of Education				1,893,809	1,403,000
<u>Corporation of National and Community Service</u>					
AmeriCorps Poverty Busters	Indiana Department of Education	94.006	F20-4-13-AF-08	-	124,421
Total - AmeriCorps				-	124,421
Total - Corporation of National and Community Service				-	124,421
Total federal awards expended				<u>\$ 2,752,252</u>	<u>\$ 2,359,767</u>

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

SCOTT COUNTY SCHOOL DISTRICT 2  
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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the SEFA.

Program Title	Federal CFDA Number	2013	2014
Child Nutrition Cluster:			
Food Commodities:			
National School Lunch Program	10.555	\$ 85,293	\$ 81,935

**Note 3. Madison Area Educational Special Services Unit**

The School Corporation is a member of Madison Area Educational Special Services Unit (MAESSU). MAESSU operates the Special Education Programs for the School Corporation. As a result, some activity for the Special Education Cluster that is presented on the SEFA is not presented as receipts and disbursements in the financial statement of the School Corporation.

SCOTT COUNTY SCHOOL DISTRICT 2  
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 deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	
Child Nutrition Cluster	Qualified
Title I, Part A Cluster	Qualified
Special Education Cluster (IDEA)	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:

Name of Federal Program or Cluster

Child Nutrition Cluster  
Title I, Part A Cluster  
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

**Section II - Financial Statement Findings**

**FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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 School Corporation should have had proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected.

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

During the audit of the SEFA, there were the following errors:

1. The Child Nutrition Cluster program activity was not included on the SEFA.
2. Some pass-through grants were improperly identified as direct grants.
3. Some grant programs did not have the CFDA number listed.
4. Some grants did not have the amounts broken out by the separate grant project year.
5. Some State grants were reported on the SEFA.
6. Several federal grants were reported with the incorrect amounts.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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 section .310. . . ."

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.

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (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."

***FINDING 2014-002 - INTERNAL CONTROLS AND COMPLIANCE  
OVER FINANCIAL TRANSACTIONS AND REPORTING***

Controls were not in place to ensure that financial activity associated with student meals adjustments and transfers were properly recorded in the financial records and contained sufficient supporting documentation. Several deficiencies were noted regarding controls for the financial transactions and reporting as follows:

1. A monthly reconciliation of the student meal account balances with the balance in the Prepaid Food fund were not performed. At June 30, 2013, the student meal account balance and the Prepaid Food fund contained a variance of \$78. At June 30, 2014, the student meal account balance and the Prepaid Food fund balance contained a variance of \$25,062.
2. Adjustments were recorded to the Prepaid Food fund and the School Lunch fund without documentation supporting the reason and validity of the adjustment recorded. The following undocumented transfers were recorded as receipts and disbursements between the Prepaid Food fund and the School Lunch fund:
  - a. In December 2012, a transfer was recorded in the amount of \$59,847.
  - b. In June 2013, a transfer was recorded in the amount of \$38,661.
  - c. In July 2013, a transfer was recorded in the amount of \$82,731.
  - d. In December 2013, a transfer was recorded in the amount of \$34,494.
3. Students were allowed to purchase meals on account resulting in deficit account balances. There were no procedures in place to collect on the amounts owed. As of June 30, 2013, student account balances accumulated to a deficit amount of \$84,554. New policies were adopted in July 2013 and fully implement as of December 2013 addressing collection procedures for deficit account balances and steps taken to prevent the accumulation of large deficit account balances. As of June 30, 2014, the student account balances were \$7,888.

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

4. The School Corporation had not separated incompatible activities related to receipts for meals. The same person was responsible for recording payments to student accounts, recording receipts to the ledger, collecting and depositing funds, and recording adjustments. There was no control to ensure that monies collected are accounting for in student meal accounts had been deposited and recorded in the proper fund.
5. The following deficiencies were noted in the information generated from the student meal software:
  - a. Figures generated on some of the School Nutrition Reports did not foot properly. It could not be determined if all transactions were properly appearing on the reports.
  - b. The student account balances report generated from the software did not contain vital information such as, the name of the school building and date the information was being reported. This information is required to properly identify the time period of the activity and reconcile with the control account.

Failure to establish controls over student meal collections, adjustments, and transfers could have resulted in the misappropriation of monies going undetected and incorrect financial reporting.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 3)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***Section III - Federal Award Findings and Questioned Costs***

***FINDING 2014-003 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER***

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): SY 12-13, SY 13-14  
Pass-Through Entity: Indiana Department of Education

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Eligibility and Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP).

*Eligibility*

The School Corporation had not designed or implemented adequate control procedures to ensure compliance with Eligibility requirements. The same individual was responsible for entering eligibility income guidelines, inputting the individual student's free and reduced price application information into the computer system, and performing verifications of the applications.

*Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP)*

The School Corporation had not designed or implemented adequate control procedures to ensure that the verifications of free and reduced price applications were reviewed. There was no segregation of duties, such as an oversight, review, or approval process over compliance with the verification of free and reduced price applications requirements.

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. . . ."

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 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.

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

***FINDING 2014-004 - 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): SY 12-13, SY 13-14  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Allowable Costs/Cost Principles.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Corporation expended funds for allowable costs of the programs. Program expenditures were not reviewed or approved to ensure that the expenditures were for allowable costs of the programs prior to payment.

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Failure to establish proper controls over allowable costs resulted in costs being charged to the program that were not in compliance with the program requirements. Costs in the amount of \$49,688 were charged to the grant programs, which were considered to be questioned costs. A detail of these costs that were considered to be in noncompliance are as follows:

1. Employees working solely for the school meal program did not complete Semiannual Certifications certifying that their time was spent solely for the benefit of the school meal program.
2. Personnel Activity Reports documenting how salary costs were allocated to the grant program were not completed for an employee who performed duties related to the school meal program and other secretarial duties for the School Corporation.

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 8(h) states in part:

". . . (3) 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.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and requirements pertaining to Allowable Costs/Cost Principles. Procedures should have been implemented to ensure Personnel Activity Reports and Semiannual Certifications were completed and reviewed.

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2014-005 - CASH MANAGEMENT***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): SY 12-13, SY 13-14  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the requirements for Cash Management.

The monthly cash balance for the School Lunch fund exceeded the average expenditures for 3 months for 23 of the 24 months during the audit period. The School Lunch fund balance was in excess of the average expenditures for 3 months, ranging from \$1,161 to \$202,430.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR section 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

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

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

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

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

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2014-006 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, PROGRAM INCOME, AND SPECIAL TESTS AND PROVISIONS - SCHOOL FOOD ACCOUNTS**

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.533, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY 12-13, SY13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the requirements for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - School Food Accounts.

Controls were not in place to ensure that financial activity derived from student meals were properly recorded in the School Lunch fund and used in accordance with the requirements. Control deficiencies resulted in noncompliance with the requirements listed above as follows:

1. Expenditure amounts were recorded to the School Lunch fund as small claims write offs in the amount of \$38,661 in June 2013 and \$82,731 in July 2013, resulting in \$121,392 in questioned costs.
2. The amounts shown as sales per the school nutrition software was not in agreement with the amounts recorded in the financial records. In school year 2012/2013, there were \$9,498 more meal sales than what was recorded in the financial records. In school year 2013/2014, there were \$3,510 less in reported meal sales than what was recorded in the financial records.
3. The School Corporation had not separated incompatible duties associated with program income derived from the sale of meals. The same person was responsible for recording monies collected, recording receipts, collecting and depositing funds, and recording adjustments.

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-82, Attachment B, section 5 states: "Bad debts. Bad debts, including losses (whether actual or estimated) arising from uncollectible accounts and other claims, related collection costs, and related legal costs, are unallowable."

7 CFR 210.14(c) states in part:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with §210.19(a) . . ."

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*School Breakfast Program:*

7 CFR 220.13(i) states in part:

"Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

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

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

**FINDING 2014-007 - REPORTING**

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): SY 12-13, SY 13-14

Pass-Through Entity: Indiana Department of Education.

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, to provide sufficient oversight related to the compliance requirement related to Reporting.

Reports are completed by one individual and no controls exist to ensure the reports are complete and accurate.

Failure to establish proper controls resulted in errors being made on the Annual Financial Reports filed. The amounts reported for the Prepaid Food fund in the report were shown as zero in each school year. The actual balances in the Prepaid Food fund were negative \$84,476 and negative \$17,174 for 2012/2013 and 2013/2014, respectively.

7 CFR 3016.20(b) Standards for financial management systems states in part: "(1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub grant."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurances 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. . . ."

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

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and all requirements for Reporting.

***FINDING 2014-008 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY***

Federal Agency: Department of Agriculture  
Federal Program: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): SY 12-13, SY 13-14  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the requirements for Special Tests and Provisions - Paid Lunch Equity.

No controls were in place to ensure that the School Corporation performed price calculations and retained records of these calculations. Paid lunch equity price calculations were not presented for audit in order to be able to determine compliance with the program requirement.

OMB Circular A-133, Subpart C, section .300 states in part:

"The audited 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. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

The failure to maintain supporting documentation of internal control procedures prevented the ability to verify if the School Corporation was in compliance with the requirements for Special Tests and Provisions - Paid Lunch Equity.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the requirements for Special Tests and Provisions - Paid Lunch Equity.

***FINDING 2014-009 - 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): 12-7255, 13-7255, 14-7255,  
SY 12-13, SY 13-14  
Pass-Through Entity: Indiana Department of Education

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Allowable Costs/Cost Principles that have a direct and material effect on the program.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that costs budgeted and disbursed were for allowable costs and that Semiannual Certifications and Personnel Activity Reports were properly completed. During the audit period, total costs in the amount of \$58,660 were determined to be questioned costs as indicated below:

1. Costs in the amount of \$4,784 were charged for parental involvement family night activities for the purchase of food and the payment of salaries and benefits for cafeteria workers for food preparation.
2. Costs in the amount of \$53,876 were charged to the grant program related to salaries and benefits, but were not supported by proper documentation to justify the allocation of the amounts paid.
  - a. Semiannual Certifications and Personnel Activity Reports were not completed for all employees whose salaries were charged to the program. There were 14 employees identified as being paid in school year 2012/2013 and 4 employees in the school year 2013/2014 for which certifications and reports were not completed.

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 (8)(h), states in part:

". . . (3) 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.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

(d) Two or more indirect activities which are allocated using different allocation bases, or

(e) An unallowable activity and a direct or indirect cost activity. . . ."

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

We recommended that the School Corporation's management establish controls and comply with the grant agreement and the requirements for Allowable Costs/Cost Principles.

***FINDING 2014-010 - INTERNAL CONTROLS OVER TITLE I, PART A CLUSTER***

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): 12-7255, 13-7255, 14-7255,  
SY 12-13, SY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, and Reporting.

*Cash Management*

The Treasurer/Business Manager was responsible for the preparation and submission of the Reimbursement Forms. There were no controls in place to ensure the accuracy and completeness of the requests.

*Eligibility*

The Title I Director prepared and submitted the grant application and the Superintendent certified the application. Although controls were in place to ensure that information entered on the grant applications were accurately completed, they were not effective, differences were identified in the figures entered on the applications and the supporting documentation.

*Reporting*

The Treasurer/Business Manager was responsible for the preparation and submission of the Reimbursement Forms and the Annual Expenditure Reports. There were no controls in place to ensure the accuracy and completeness of those reports.

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. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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 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.

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.

***FINDING 2014-011 - SPECIAL TESTS AND PROVISIONS - COMPARABILITY***

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): 12-7255, 13-7255, 14-7255,  
SY 12-13, SY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Special Tests and Provision - Comparability.

The School Corporation had not designed or implemented adequate policies and procedures to ensure comparability information was properly reported and documentation was not retained to support figures used in the calculation. The following information on the report could not be verified: number of students enrolled; number of full-time equivalency staff; and a comparison between local services provided to each school.

The number of reported students enrolled was not in agreement with the number of students per the Average Daily Membership (ADM) records. Documentation to support the number of Full Time Equivalency Staff (FTE) reported on the comparability report was not presented for audit. Non-Title I/Comparison School Data was not completed.

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. . . ."

34 CFR 80.36 states in part:

". . . (b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. . . .

(c) *Starting date of retention period*—(1) General. When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The failure to maintain supporting documentation of internal control procedures prevented the ability to verify if the School Corporation was in compliance with the requirements for Special Tests and Provisions - Comparability.

We recommended that the School Corporation's management establish controls, including segregation of duties, to ensure compliance with the grant agreement and the compliance requirements for Special Tests and Provisions - Comparability.

**FINDING 2014-012 - SPECIAL TESTS AND PROVISIONS - HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS**

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): 12-7255, 13-7255, 14-7255,  
SY 12-13, SY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the requirements related to Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals.

The School Corporation had not designed or implemented adequate policies and procedures to ensure staff met the qualifications as highly qualified. A review of qualifications of school personnel identified instances in which information was not retained on file to document the person's qualifications. The information was not retained on file to demonstrate the individual met the required qualifications for at least four individuals working in a school identified as a Title I schoolwide program.

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. . . ."

34 CFR 80.36 states in part:

". . . (b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. . . ."

(c) *Starting date of retention period*—(1) General. When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The failure to maintain supporting documentation of internal control procedures prevented the ability to verify if the School Corporation was in compliance with the requirements for Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals.

We recommended the School Corporation's management establish and implement controls to ensure compliance with grant agreements and compliance requirements for Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals. Information regarding qualifications should be retained centrally in the personnel files.

***FINDING 2014-013 - INTERNAL CONTROLS OVER SPECIAL EDUCATION CLUSTER (IDEA)***

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): 14211-038-PN01, 14212-038-PN01,  
14213-038-PN01, 14214-038-PN01,  
99914-157-TA01, 45711-038-PN01,  
45712-038-PN01, 45713-038-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Period of Availability, and Reporting.

The School Corporation designated Madison Area Educational Special Services Unit (MAESSU) as the fiscal agent to receive and manage the funding of the Special Education programs. There were the following deficiencies in the internal control system:

*Cash Management*

Requests for Reimbursement were prepared by MAESSU's Business Manager. There was no control in place to ensure that expenditures were paid prior to requesting reimbursement.

*Period of Availability*

MAESSU's Business Manager monitored expenditures for compliance with Period of Availability requirements. There was no control in place to ensure expenditures were incurred within the period of availability.

*Reporting*

The Requests for Reimbursement and Final Expenditure Reports were prepared and submitted by MAESSU's Business Manager. There were no controls in place to ensure that the Requests for Reimbursement and Final Expenditure Reports were accurate prior to submission.

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. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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 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.

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

***FINDING 2014-014 - SUSPENSION AND DEBARMENT***

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): SY 12-13, SY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Suspension and Debarment compliance requirement. The School Corporation had not designed or implemented adequate control procedures to ensure compliance with Suspension and Debarment requirements. A monitoring or review process had not been established to ensure that the vendors selected for procured products were not suspended or debarred from participation in federal programs.

The failure to maintain supporting documentation of internal control procedures prevented the ability to verify if the School Corporation was in compliance with the requirements for Suspension and Debarment.

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. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and the compliance requirements pertaining to Suspension and Debarment that have a direct and material effect on the programs and to retain all supporting documentation required to verify compliance with those requirements.

#### AUDITEE-PREPARED DOCUMENTS

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

# SCOTT COUNTY

## SCHOOL DISTRICT

375 East McClain Avenue  
Scottsburg, IN 47170

812-752-8946  
812-752-8951 Fax



Dr. Marc Slaton  
Superintendent

Dr. Mark Watkins  
Asst. Superintendent

Ms. Melinda Sparkman  
Business Manager

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### ***FINDING 2012-1***

Original Assigned SBA Audit Report Number: B42009  
Report Period: July 1, 2010 to June 30, 2012  
Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Melinda Sparkman  
Contact Phone Number: 812-752-8982

#### Status of Audit Finding:

Since the beginning of the new Business Manager, Scott County School District 2 does not process any expenditure from the Twenty-First Century Community Learning Center Grant that will cause a budget account to be over-expended without prior written approve from the DOE. When expenditure requests are received they are compared to a grant spreadsheet that contains the per budget account. If sufficient budget remains for the expenditure it is paid.

#### ***FINDING 2012-2***

Original Assigned SBA Audit Report Number: B42009  
Report Period: July 1, 2010 to June 30, 2012  
Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Melinda Sparkman  
Contact Phone Number: 812-752-8982

#### Status of Audit Finding:

The agreement has been updated and the 21<sup>st</sup> Century Grant noted in the audit has expired. The current 21<sup>st</sup> Century Grant is being managed by the Scott County Family YMCA. The business manager position transitioned to a new person in Jan 2014. The new business manager was not aware of the requirement but will move forward in attaining an agreement with the Scott County Family YMCA.

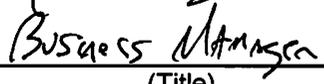
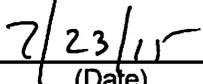
#### ***FINDING 2012-3***

Original Assigned SBA Audit Report Number: B42009  
Report Period: July 1, 2010 to June 30, 2012  
Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Melinda Sparkman  
Contact Phone Number: 812-752-8982

#### Status of Audit Finding:

The new business manager is only aware of one special purchase that applies to one bidder since Jan 2014 and that is the Apple Lease for Ipads and IMacs. A letter was obtained from Apple stating they were the sole source of our purchase but was not aware to obtain a letter from our school attorney.

Going forward the district will obtain a written opinion from our school attorney. The opinion will note the section of the Indiana Code 5-22-10 that would be applicable to a particular equipment purchase.

  
\_\_\_\_\_  
(Signature)  
  
  
\_\_\_\_\_  
(Title)  
  
  
\_\_\_\_\_  
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)

# SCOTT COUNTY

## SCHOOL DISTRICT

375 East McClain Avenue  
Scottsburg, IN 47170



812-752-8946  
812-752-8951 Fax

Dr. Marc Slaton  
Superintendent

Mr. Chuck Rose  
Director of Elementary Education

Ms. Melinda Sparkman  
Business Manager

### **Corrective Action Plan**

2012-14

Audit Contact Person: Melinda Sparkman  
Title of Contact Person: Business Manager/Treasurer  
Phone Number: 812-752-8982  
Email: [msparkman@scsd2.k12.in.us](mailto:msparkman@scsd2.k12.in.us)

#### **Finding 2014-001**

The new Business Manager is aware of the errors noted and will be more knowledgeable going forward. The listing of federal awards will be compared back to the Funds Report from the accounting system will be used as a checklist to compare to the listing of federal awards listed in the Schedule of Expenditures of Federal Awards (SEFA)

#### **Finding 2014-002**

The Prepaid Meal account is now being reconciled monthly. Policies are in place to deter student deficit lunch account balances. Starting in September, 2016 the Student Service Clerk will continue to enter the adjustment to student accounts but the Deputy Treasurer will collect and deposit the funds. Starting in the 2015-16 school year the Food Service staff was instructed to document any adjustments on their reports to reconcile the reports to the actual deposit. The Student Services Clerk, on a daily basis, reviews those reports and deposit be ensure accuracy.

**Finding 2014-003**

Starting at the beginning of the 2017-18 school year, Scott 2 will segregate the duties of eligibility income guidelines to the Business Manager and the free and reduced application input to various staff in the business office during peak periods but with primary function assigned to the District Food Service Coordinator (DFSC). Starting in the 2016-17 school year, the Business Manager will review the income document and the application to ensure proper eligibility.

**Finding 2014-004**

Starting in September 2016, Scott 2 will maintain semi-annual certifications in the DFSC's office. And starting Sept 1, 2016, those employees that are NOT 100% food service, will maintain a personal activity log. Our new DFSC has attended and will be attending various training to learn what is allowable. In addition, any invoice or PO is approved by the DFSC before submitting for payment.

**Finding 2014-005**

Scott 2's new DFSC is aware of the compliance requirement of the net cash resources. The new DFSC plans to bring the positive variance closer to compliance through kitchen equipment purchases. Starting September 2016 month-end, a monthly report will be provided from the Business Manager to the DFSC that will show monthly expenditures and revenue in order to monitor the cash balance.

**Finding 2014-006**

Policies are place today that should prevent the need for writeoffs in the future. Alternative meals are strictly enforced as well as continuous review of student lunch account balances by the Student Service Clerk. Any adjustments to student accounts are approved by the Business Manager and are maintained by the Student Services Clerk.

**Finding 2014-007**

The new DFSC is meeting the DOE Field Consultant in August 2016 to be trained on the completion of the Annual Financial Report. The Business Manager will review and sign the report as well when completed.

**Finding 2014-008**

Scott 2 is currently using the PLE tool and in fact just raised 2016-17 lunch prices by \$.10 and will continue to analyze. This procedure is on the DOE School Nutrition website as well as other procedures. The new DFSC monitors this site to ensure all procedures are performed.

**Finding 2014-009**

Starting in the 2016-17 school year, Scott 2 will not process any expenditure from the Title 1 Grant which is not an allowable costs under the program. The new Scott 2 Title I Director, Business Manager, and Superintendent are aware of the questionable costs identified. Before the end of the 2016-17 school both the Business Manager and Title 1 Director will attend training on allowable costs and proper documentation procedures under the Title 1 program. Semi-annual certifications will be completed and maintained in the Scott 2 Admin Office by the the Title 1 Director.

**Finding 2014-010**

Starting in the 2016-17 school year, Scott 2 will have 2 people (Superintendent, Title 1 Director or Business Manager) review and sign off on reimbursement requests, grant application and annual expenditure reports.

**Finding 2014-011**

Starting in the 2016-17 school year, Scott 2 will ensure the comparability information is properly reported by having both the Title 1 Director and the Business Manager review and sign off on the biennial report. The new Scott 2 Title I Director, Business Manager,

and Superintendent are aware of the biennial report requirements. The documentation will be maintained in the Scott 2 Admin Office by the Title 1 Director.

**Finding 2014-012**

Starting in the 2016-17 school year, Scott 2 will ensure compliance that all Title 1 staff meets the qualifications for highly qualified teachers and paraprofessionals by maintaining a checklist of all Title 1 staff. Scott 2 will perform an immediate audit of those currently scheduled to work in 2016-17 school year. Should Scott 2 identify any of those that do not meet the paraprofessional requirements, Scott 2 will take immediate steps to get the current paraprofessionals up to the current standards by the end of the calendar year 2016.

**Finding 2014-013**

Effective July 1, 2016 Scott 2 is no longer part of the Madison Educational Special Services Unit. In the future, reimbursement requests and final expenditure reports will be prepared by the Business Manager and reviewed by the Director of Special Education.

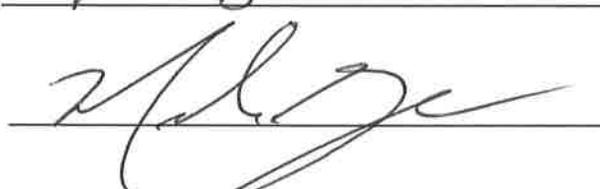
**Finding 2014-014**

The new DFSC is aware of the suspension and debarment requirements and will review with the DOE Field Rep in the month of August 2016 to create the review and monitoring process.

Submitted by:



Marc Slaton, Superintendent



Melinda Sparkman, Treasurer

#### 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/>.