

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

AUDIT REPORT

OF

SCOTT COUNTY SCHOOL DISTRICT 1

SCOTT COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED

06/21/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kenneth Kidd	07-01-04 to 06-30-07
Superintendent of Schools	Berley Goodin	07-01-04 to 06-30-07
President of the School Board	Ishmael White Richard Petersen Darlene Hall	07-01-04 to 06-30-05 07-01-05 to 06-30-06 07-01-06 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE SCOTT COUNTY SCHOOL DISTRICT 1, SCOTT COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scott County School District 1 (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated April 25, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented supplementary information for the Schedule of Capital Assets and Schedule of Long-Term Debt that accounting principles generally accepted in the United States of America has determined is necessary to supplement although not required to be part of, the basic financial statements.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements.

STATE BOARD OF ACCOUNTS

April 25, 2007



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

TO: THE OFFICIALS OF THE SCOTT COUNTY SCHOOL DISTRICT 1, SCOTT COUNTY, INDIANA

We have audited the financial statements of the Scott County School District 1 (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated April 25, 2007. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 25, 2007

SCOTT COUNTY SCHOOL DISTRICT 1
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,058,740
Restricted assets:	
Cash and investments	<u>147,950</u>
Total assets	<u>\$ 2,206,690</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 147,950
Unrestricted	<u>2,058,740</u>
Total net assets	<u>\$ 2,206,690</u>

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY SCHOOL DISTRICT 1
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,164,345
Restricted assets:	
Cash and investments	<u>358,459</u>
Total assets	<u>\$ 2,522,804</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 358,459
Unrestricted	<u>2,164,345</u>
Total net assets	<u>\$ 2,522,804</u>

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY SCHOOL DISTRICT 1
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,346,100	\$ -	\$ 107,973	\$ (5,238,127)
Support services	6,001,649	303,710	390,085	(5,307,854)
Community services	139,193	-	-	(139,193)
Nonprogrammed charges	860,346	-	-	(860,346)
Debt service	1,251,483	-	-	(1,251,483)
Total governmental activities	\$ 13,598,771	\$ 303,710	\$ 498,058	(12,797,003)
General receipts:				
Property taxes				3,476,119
Other local sources				412,047
State aid				7,185,346
Grants and contributions not restricted				876,507
Sale of property, adjustments, and refunds				65,151
Investment earnings				54,281
Intergovernmental transfers				337,073
Total general receipts and intergovernmental transfers				12,406,524
Change in cash and investments				(390,479)
Net assets - beginning				2,597,169
Net assets - ending				\$ 2,206,690

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY SCHOOL DISTRICT 1
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,290,626	\$ -	\$ 97,045	\$ (5,193,581)
Support services	6,656,993	276,574	471,642	(5,908,777)
Community services	135,691	-	-	(135,691)
Nonprogrammed charges	780,176	-	-	(780,176)
Debt service	1,460,166	-	-	(1,460,166)
Total governmental activities	\$ 14,323,652	\$ 276,574	\$ 568,687	(13,478,391)
General receipts:				
Property taxes				3,426,192
Other local sources				329,070
State aid				8,281,856
Grants and contributions not restricted				868,109
Sale of property, adjustments, and refunds				252,663
Investment earnings				97,647
Intergovernmental transfers				538,968
				Total general receipts and intergovernmental transfers
				13,794,505
				Change in cash and investments
				316,114
				Net assets - beginning
				2,206,690
				Net assets - ending
				\$ 2,522,804

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY SCHOOL DISTRICT 1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	1998 Scott County School Building Corporation	Other	Totals
Receipts:									
Local sources	\$ 1,414,795	\$ 189,504	\$ -	\$ 1,470,160	\$ 654,255	\$ 202,800	\$ -	\$ 308,234	\$ 4,239,748
Intermediate sources	36	-	-	-	-	-	-	649	685
State sources	7,276,027	-	-	-	-	-	-	104,515	7,380,542
Federal sources	-	-	-	-	-	-	-	1,179,371	1,179,371
Sale of property, adjustments and refunds	30,294	339	-	93	-	-	440	33,985	65,151
Intergovernmental transfers	157,519	41,185	-	-	40,467	-	-	103,624	342,795
Total receipts	8,878,671	231,028	-	1,470,253	694,722	202,800	440	1,730,378	13,208,292
Disbursements:									
Current:									
Instruction	4,495,422	-	-	-	6,072	-	75,435	769,171	5,346,100
Support services	3,561,305	306,377	-	-	970,216	-	238,689	925,062	6,001,649
Community services	137,585	-	-	-	-	-	-	1,608	139,193
Nonprogrammed charges	534,134	-	-	41,185	85,075	-	6,566	193,386	860,346
Debt services	-	-	-	1,172,031	-	-	-	79,452	1,251,483
Total disbursements	8,728,446	306,377	-	1,213,216	1,061,363	-	320,690	1,968,679	13,598,771
Excess (deficiency) of total receipts over (under) total disbursements	150,225	(75,349)	-	257,037	(366,641)	202,800	(320,250)	(238,301)	(390,479)
Cash and investments - beginning	(92,862)	(138,534)	250,000	(29,635)	1,482,020	77,750	642,263	406,167	2,597,169
Cash and investments - ending	\$ 57,363	\$ (213,883)	\$ 250,000	\$ 227,402	\$ 1,115,379	\$ 280,550	\$ 322,013	\$ 167,866	\$ 2,206,690

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY SCHOOL DISTRICT 1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	1998 Scott County School Building Corporation	Other	Totals
Receipts:									
Local sources	\$ 1,357,783	\$ 196,034	\$ -	\$ 1,536,708	\$ 519,636	\$ 62,978	\$ -	\$ 456,237	\$ 4,129,376
Intermediate sources	106	-	-	-	-	-	-	-	106
State sources	8,345,592	-	-	-	-	-	-	121,904	8,467,496
Federal sources	-	-	-	-	-	-	-	1,251,156	1,251,156
Sale of property, adjustments and refunds	59,176	389	-	-	40,447	-	-	152,652	252,664
Intergovernmental transfers	339,300	41,185	-	-	10,317	-	-	148,166	538,968
Total receipts	10,101,957	237,608	-	1,536,708	570,400	62,978	-	2,130,115	14,639,766
Disbursements:									
Current:									
Instruction	4,518,688	-	-	-	-	-	111,510	660,428	5,290,626
Support services	4,320,619	151,022	-	-	836,554	97,228	144,228	1,107,342	6,656,993
Community services	134,385	-	-	-	-	-	-	1,306	135,691
Nonprogrammed charges	489,717	-	-	41,185	-	-	-	249,274	780,176
Debt services	-	-	-	1,302,820	-	-	-	157,346	1,460,166
Total disbursements	9,463,409	151,022	-	1,344,005	836,554	97,228	255,738	2,175,696	14,323,652
Excess (deficiency) of total receipts over (under) total disbursements	638,548	86,586	-	192,703	(266,154)	(34,250)	(255,738)	(45,581)	316,114
Cash and investments - beginning	57,363	(213,883)	250,000	227,402	1,115,379	280,550	322,013	167,866	2,206,690
Cash and investments - ending	\$ 695,911	\$ (127,297)	\$ 250,000	\$ 420,105	\$ 849,225	\$ 246,300	\$ 66,275	\$ 122,285	\$ 2,522,804

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY SCHOOL DISTRICT 1
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 34,806
Bonds and loans	1,900,000	-
Sale of property, adjustments and refunds	<u>-</u>	<u>4,500</u>
Total additions	<u>1,900,000</u>	<u>39,306</u>
Deductions:		
Instruction	-	7,455
Support services	3,900	756
Community services	-	29,467
Nonprogrammed charges	<u>-</u>	<u>5,722</u>
Total deductions	<u>3,900</u>	<u>43,400</u>
Excess (deficiency) of total additions over (under) total deductions	1,896,100	(4,094)
Cash and investments - beginning	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,896,100</u>	<u>\$ (4,094)</u>

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY SCHOOL DISTRICT 1
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 34,453
Sale of property, adjustments and refunds	-	74,455
	<u>-</u>	<u>108,908</u>
Total additions		
Deductions:		
Instruction	-	12,333
Support services	1,089,374	67,813
Community services	-	35,298
Nonprogrammed charges	253,318	4,981
	<u>1,342,692</u>	<u>120,425</u>
Total deductions		
Deficiency of total additions under total deductions	(1,342,692)	(11,517)
Cash and investments - beginning	<u>1,896,100</u>	<u>(4,094)</u>
Cash and investments - ending	<u>\$ 553,408</u>	<u>\$ (15,611)</u>

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY SCHOOL DISTRICT 1
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 1,896,100	\$ (4,094)	\$ 74,631
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 1,896,100	\$ (4,094)	

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY SCHOOL DISTRICT 1
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 553,408	\$ (15,611)	\$ 47,770
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 553,408	\$ (15,611)	

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY SCHOOL DISTRICT 1
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, 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.

These financial statements present the School Corporation (primary government). There are no significant component units which require inclusion.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with Madison Consolidated Schools, Scott County School District 2, Southwestern Jefferson County Consolidated School Corporation, and Switzerland County School Corporation in a joint venture to operate the Madison Area School Services Unit (MASSU) which was created to provide educational services to handicapped students. The School Corporation is obligated by contract to remit \$490,070 and \$493,650 for the fiscal years ended June 30, 2005 and 2006, respectively. Complete financial statements for MASSU can be obtained from the MASSU administrative office in Madison, Indiana.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities displays information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School Corporation has no business-type activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

SCOTT COUNTY SCHOOL DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The rainy day fund is to account for transfers of unused and unencumbered funds in accordance with Indiana Code 36-1-8-5 and a locally adopted resolution. The fund is subject to the same appropriation process as funds that receive tax money.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The Scott County 1998 school building corporation fund is used for financial resources for the additions, renovation and any additional construction relating to the school building.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust funds report trust arrangements under which principal and income benefits the school corporation or other school corporations.

Pension trust funds account for receipts and disbursements concerning retirement/severance benefits as authorized by statute and the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

SCOTT COUNTY SCHOOL DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
(Continued)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds or internal service funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively.

3. Compensated Absences

a. Sick Leave

School Corporation employees earn sick leave at the rate of 10 days the first year and 8 days per year thereafter. Unused sick leave may be accumulated to a maximum of 150 days for certified employees and 75 days for noncertified employees. Accumulated sick leave is paid to employees upon retirement as a part of a severance pay policy.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates of 10 days to 20 days per year based upon the years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 days per year. Unused personal leave may be accumulated up to 4 days and then such days will accumulate as sick leave days.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

SCOTT COUNTY SCHOOL DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Cash and Investments and the Statement of Cash Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

SCOTT COUNTY SCHOOL DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investments and the Statement of Cash Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Cash and Investments and the Statement of Cash Activities.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the years ended June 30, 2005 and 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

SCOTT COUNTY SCHOOL DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2005	2006
School Transportation Fund	\$ 32,693	\$ 36,482
School Bus Replacement Fund	-	27,288
Special Education Preschool Fund	-	3,564
Totals	<u>\$ 32,693</u>	<u>\$ 67,334</u>

C. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as referenced in state statute:

Fund	2005	2006
Governmental funds:		
Transportation - Operating	\$ 213,883	\$ 127,297
Retirement Debt	79,452	61,646
Textbook Rental	55,424	104,866
Total governmental funds	<u>\$ 348,759</u>	<u>\$ 293,809</u>
Fiduciary funds:		
CAPE Grant	\$ 22,320	\$ 13,621
SSU Candy Factory Fund AMS	575	174
Kids First	-	2,254
Beswick Scholarship	-	600
Total fiduciary funds	<u>\$ 22,895</u>	<u>\$ 16,649</u>

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2006, all School Corporation bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

SCOTT COUNTY SCHOOL DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
Capital projects fund	General Fund	\$ 85,075	\$ -
Debt service fund	School transportation	41,185	41,185
General Fund	Capital projects	40,467	-
Other governmental	General Fund	72,444	85,982
	Capital projects	-	10,317
	Other governmental	103,624	148,166
Fiduciary fund	General Fund	-	<u>253,318</u>
Totals		<u>\$ 342,795</u>	<u>\$ 538,968</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutes.

IV. Other Information

A. Risk Management

The School Corporation is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. Holding Corporation

The School Corporation has entered into a capital lease with the Scott County 1998 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, 2005, and June 30, 2006, were \$394,585 and \$406,996, respectively.

SCOTT COUNTY SCHOOL DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

PERF 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. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 44,061
Interest on net pension obligation	(10,092)
Adjustment to annual required contribution	11,501
Annual pension cost	45,470
Contributions made	45,468
Increase in net pension obligation	2
Net pension obligation, beginning of year	(139,200)
Net pension obligation, end of year	\$ (139,198)

SCOTT COUNTY SCHOOL DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	3.25%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 33,661	138%	\$ (122,756)
	06-30-04	29,199	156%	(139,200)
	06-30-05	45,470	156%	(139,198)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), 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 TRF 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 member's contributions, set by state statute at 3% 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.

SCOTT COUNTY SCHOOL DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
(Continued)

TRF 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:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

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.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$145,628, \$123,760, and \$108,653, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

SCOTT COUNTY SCHOOL DISTRICT 1
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,349,866	\$ 1,081,896	\$ 267,970	125%	\$ 1,039,446	26%
07-01-04	1,350,864	1,237,838	113,026	109%	1,099,471	10%
07-01-05	1,386,572	1,429,020	(42,448)	97%	1,210,897	4%

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Excess Amount Expended	
	2005	2006
Transportation Operating	\$ 32,693	\$ 36,482
School Bus Replacement	-	27,228
Special Education Preschool	-	3,564
Totals	<u>\$ 32,693</u>	<u>\$ 67,274</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERDRAWN CASH BALANCES

The following funds had overdrawn cash balances during the audit period:

Fund	2005	2006
Governmental funds:		
Transportation - Operating	\$ 213,883	\$ 127,297
Retirement Debt	79,452	61,646
Textbook Rental	55,424	104,866
Total governmental funds	<u>\$ 348,759</u>	<u>\$ 293,809</u>
Fiduciary funds:		
CAPE Grant	\$ 22,320	\$ 13,621
SSU Candy Factory Fund AMS	575	174
Kids First	-	2,254
Beswick Scholarship	-	600
Total fiduciary funds	<u>\$ 22,895</u>	<u>\$ 16,649</u>

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS
(Continued)

REAL ESTATE PURCHASE

The School Corporation made a \$150,000 real estate purchase. There were no property value appraisals presented for audit.

Indiana Code 36-1-10.5-5 sets out certain procedures to be followed when purchasing real property costing more than \$25,000 as follows:

"The purchasing agent shall purchase land or a structure only after compliance with the following procedures:

1. The fiscal body of the political subdivision shall pass an ordinance or resolution to the effect that it is interested in making a purchase of specified land or a structure.
2. The purchasing agent shall appoint two appraisers to appraise the fair market value of the land or structure. The appraisers must be professionally engaged in making appraisals or be trained as an appraiser and licensed as a broker under IC 25-34.1.
3. The appraisers shall return their separate appraisals to the purchasing agent within thirty days after the date of their appointment. The purchasing agent shall keep the appraisals on file in the purchasing agent's office for five (5) years after they are given to the purchasing agent.
4. The purchasing agent shall give a copy of both appraisals to the fiscal body."

Indiana Code 36-1-10.5-6 states: "A purchasing agent may not purchase any land or structure for a price greater than the average of the two (2) appraisals received under section 5 of this chapter."

CHANGE ORDER PRIOR TO CONSTRUCTION

The School Board awarded a \$37,500 contract on March 1, 2005, to the low bidder for the installation of softball field lighting. A change was approved before construction began. The pole heights in the original bid specifications were deemed to be too low. The contractor received permission to increase the height of the poles. The increased pole heights added another \$8,000 to the original bid amount prior to commencement of construction.

Indiana Code 36-1-12-18(c) states: "A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency."

TEXTBOOK RENTAL CHARGES

The School Corporation, in some cases, is charging more for textbook rental than 25% of the textbook cost.

A similar comment appeared in Report B25057.

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 20-26-12-2 states:

"(a) A governing body may purchase from a contracting publisher, at a price equal to or less than the net contract price, any textbook adopted by the state board and selected by the proper local officials. The governing body may rent these textbooks to students enrolled in any public or nonpublic school that is:

- (1) in compliance with the minimum certification standards of the state board; and
- (2) located within the attendance unit served by the governing body.

The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the textbooks.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of a textbook that has been:

- (1) adopted for usage by students under IC 20-20-5;
- (2) extended for usage by students under IC 20-20-5-2; and
- (3) paid for through rental fees previously collected.

(c) This section does not limit other laws."

PRESCRIBED FORM

Prescribed Payroll Schedule and Voucher, General Form 99, was not used.

A similar comment appeared in Report B25057.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks, states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS
(Continued)

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE SCOTT COUNTY SCHOOL DISTRICT 1, SCOTT COUNTY, INDIANA

Compliance

We have audited the compliance of the Scott County School District 1 (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 25, 2007

SCOTT COUNTY SCHOOL DISTRICT 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 88,297	\$ 100,304
National School Lunch Program	10.555		245,976	279,223
Summer Food Service Program for Children	10.559		<u>33,528</u>	<u>33,084</u>
Total for federal grantor agency			<u>367,801</u>	<u>412,611</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
	84.010			
		FY 03/04	111,926	-
		FY 04/05	375,784	150,353
		FY 05/06	<u>-</u>	<u>343,869</u>
Total for program			<u>487,710</u>	<u>494,222</u>
Safe and Drug Free Schools and Communities State Grants				
	84.186			
		02-091	11,559	25,538
		03-089	10,337	-
		04-068	-	7,106
		05-079	<u>-</u>	<u>2,508</u>
Total for program			<u>21,896</u>	<u>35,152</u>
Goals 2000 - State and Local Education Systemic Improvement Grants				
	84.276			
		FY 04/05	<u>4,075</u>	<u>-</u>
Eisenhower Professional Development State Grants				
	84.281			
		FY 05/06	<u>-</u>	<u>15,422</u>
21st Century Community Learning Centers				
	84.287			
		S287C020014	<u>178,416</u>	<u>134,944</u>
State Grants for Innovative Programs				
	84.298			
		03-148	11,109	-
		04-259	<u>-</u>	<u>8,430</u>
Total for program			<u>11,109</u>	<u>8,430</u>
Education Technology State Grants				
	84.318			
Competitive		FY 03/04	14,395	-
Competitive		FY 04/05	90,838	33,587
Noncompetitive		FY 04/05	9,191	2,305
Competitive		FY 05/06	<u>6,360</u>	<u>52,669</u>
Total for program			<u>120,784</u>	<u>88,561</u>
Reading Excellence				
	84.338			
		FY 04/05	<u>54,925</u>	<u>171</u>
Improving Teacher Quality State Grants				
	84.367			
		03-127	<u>91,523</u>	<u>121,124</u>
Total for federal grantor agency			<u>970,438</u>	<u>898,026</u>
Total federal awards expended			<u>\$ 1,338,239</u>	<u>\$ 1,310,637</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

SCOTT COUNTY SCHOOL DISTRICT 1
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Scott County School District 1 (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the Indiana Code (IC 5-11-1 et seq.), audits of schools shall be conducted biennially. Such audits shall include both years within the biennial period.

SCOTT COUNTY SCHOOL DISTRICT 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

SCOTT COUNTY SCHOOL DISTRICT 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings

FINDING 2006-1, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Twenty-First Century Community Learning Centers
CFDA Number: 84.287
Federal Award Number: S287C020014
Pass Through Entity: Indiana Department of Education

Procedures followed by Scott County School District 1 in making cash drawdown requests have resulted in various instances of month-end balances of grant funds in excess of the following month's requirements. The average month-end cash balance during the audit period was \$34,925. The average monthly expenditures from the fund were \$13,057. The receipts for the fund were based on a budget that provided for periodic distributions that ranged from \$10,000 to \$30,000. Grant distributions were made according to the original budget and cash request. The School Corporation failed to submit amended cash requests when the grant fund balance exceeded expenditures for the following month. As a result, cash balances increased when budgeted receipts to the fund exceeded expenditures from the fund.

Excess cash balances were on hand at month end during the audit period from July 1, 2004 to June 30, 2006, as follows:

<u>Month</u>	<u>Month-End Balance</u>	<u>Following Month's Requirement</u>	<u>Excess Cash</u>
July 2004	\$ 7,609	\$ 6,447	\$ 1,162
August 2004	21,162	8,716	12,446
September 2004	42,446	28,636	13,810
January 2005	20,455	13,252	7,203
February 2005	22,203	10,371	11,832
April 2005	39,204	20,533	18,671
May 2005	28,671	15,372	13,299
June 2005	33,299	14,296	19,003
July 2005	39,003	7,399	31,604
August 2005	51,604	19,560	32,044
September 2005	52,044	4,335	47,709
October 2005	67,709	11,368	56,341
November 2005	56,341	9,883	46,458
December 2005	46,458	7,443	39,015
January 2006	49,015	9,614	39,401
February 2006	49,401	14,219	35,182
March 2006	55,182	7,548	47,634
April 2006	47,634	11,688	35,946
May 2006	35,946	17,593	18,353

SCOTT COUNTY SCHOOL DISTRICT 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Failure to adhere to this requirement could cause the School Corporation to be deemed ineligible for future Federal awards.

34CFR 80.20(b)(7) states in part: "Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used . . . Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

The School Corporation should monitor cash balances and request delay in cash distributions by the Indiana Department of Education to avoid having excess cash balances on hand.

SCOTT COUNTY SCHOOL DISTRICT 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SCOTT COUNTY SCHOOL DISTRICT 1

255 Highway 31 S. P. O. Box 9

Austin, IN 47102

(812) 794-8750 FAX: (812) 794-8765

BOARD OF TRUSTEES

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President

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Vice-President

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Secretary

STEVE GRIFFEN
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Member

ADMINISTRATION

BERLEY GOODIN
Superintendent

DR. KENNETH KIDD
Asst. Superintendent/Business Manager

SHERMAN SMITH
High School Principal

CHARLES WAYNE CARTER
High School Assistant Principal

DAVID DEATON
Middle School Principal

ROBERT ANDERSON
Elementary Principal

BEVERLY TURNER
Assistant Elementary Principal

Federal Agency: U.S. Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA No. 84.287

Pass-Through: Indiana Department of Education

Corrective Action Plan

Section III Finding No. 2006-1 Cash Management

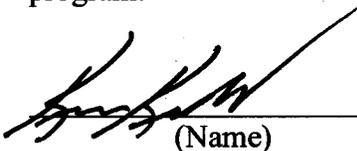
Contact Person: Dr. Kenneth Kidd

Title: Treasurer

Phone Number: (812) 794-8750

Expected Completion Date: July 1, 2007

Scott County School District 1 will review the procedures and cash needs before establishing a budget and requesting funds to operate the learning center funded under the program.



(Name)

TREASURER

(Title)

4-25-07

(Date)



(Name)
Superintendent

(Title)

4/25/07

(Date)

SCOTT COUNTY SCHOOL DISTRICT 1
EXIT CONFERENCE

The contents of this report were discussed on April 25, 2007, with Berley Goodin, Superintendent of Schools; and Kenneth Kidd, Treasurer. The officials concurred with our audit findings.