

**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, 2010 to June 30, 2012



**FILED**  
03/21/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Treasurer	Steve Nauman	07-01-10 to 06-30-13
Superintendent of Schools	Dr. Philip Deardorff	07-01-10 to 06-30-13
President of the School Board	Cory Lytle Terry Jones Teresa Cozart Jason Kendall	01-01-10 to 12-31-10 01-01-11 to 12-31-11 01-01-12 to 12-31-12 01-01-13 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the Scott County School District 2 (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above do not present fairly, in conformity 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, 2010 to June 30, 2012.

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, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated February 25, 2013, 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 and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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 reports 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.

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, Schedule of Leases and Debt, and Schedule of Capital Assets, 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.

STATE BOARD OF ACCOUNTS

February 25, 2013



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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 the financial statement of the Scott County School District 2 (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated February 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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

February 25, 2013

## FINANCIAL STATEMENT

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.

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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, 2011 and 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 81,702	\$ 17,066,049	\$ 17,781,215	\$ 720,685	\$ 87,221	\$ 16,967,655	\$ 16,814,130	\$ 5,855	\$ 246,601
Debt Service	1,030,362	1,912,076	2,168,310	(4,690)	769,438	2,265,748	2,135,300	(6,363)	893,523
Retirement/Severance Bond Debt Service	277,372	530,138	503,245	-	304,265	371,090	504,971	-	170,384
Capital Projects	569,392	2,088,818	1,871,838	(58,827)	727,545	1,923,792	1,865,730	250	785,857
School Transportation	7,884	1,659,558	1,419,126	(110,000)	138,316	1,694,071	1,704,221	-	128,166
School Bus Replacement	148,440	385,416	294,163	28,070	267,763	248,712	393,835	-	122,640
Retirement/Severance Bond	2,857,301	-	-	(492,159)	2,365,142	-	208,286	-	2,156,856
Construction	944,497	-	836,040	2,024,274	2,132,731	33,474	2,103,099	-	63,106
School Lunch	434,762	1,240,638	1,169,179	-	506,221	1,259,383	1,229,074	-	536,530
Textbook Rental	89,760	232,139	204,002	(26,284)	91,613	294,548	211,127	6,363	181,397
Levy Excess	-	28,070	-	(28,070)	-	-	-	-	-
Educational License Plates	94	431	250	-	275	431	68	-	638
Scottsburg Band Parents	1,311	7,334	6,211	-	2,434	26,373	27,155	-	1,652
ECA Reimbursable Activities	637	14,307	10,947	-	3,997	5,393	9,390	-	-
Pepsi - ECA Field Trips	2,788	17,110	19,898	-	-	15,855	15,855	-	-
John Ulen Scholarship	25,000	-	-	-	25,000	-	1,497	-	23,503
Alumni Class of 56 Scholarship	21,686	50	1,000	-	20,736	75	4,822	-	15,989
SHS Alumni Association	11,150	-	-	-	11,150	-	3,822	-	7,328
M E P Scholarship	44,697	-	501	-	44,196	-	500	-	43,696
Ivan & Faye Rogers Scholarship	2,597	-	501	-	2,096	845	500	-	2,441
Wilson Scholarship	4,654	-	500	-	4,154	-	500	-	3,654
Joyce Hall Scholarship	1,500	1,500	1,500	-	1,500	-	1,500	-	-
SCSD2 - SHS Scholarship	350	-	-	-	350	190	-	-	540
IPALCO - Indiana Parks Association	207	-	-	-	207	-	207	-	-
Mildred McNay Scholarship	350	-	-	-	350	-	-	-	350
Band of Warriors Winter Guard	1,480	5,448	4,008	-	2,920	6,650	7,041	-	2,529
Extended Day Kindergarten Fees	-	556	556	-	-	-	-	-	-
Kids First/ We Care	11,680	24,931	23,827	-	12,784	26,822	24,393	-	15,213
Section 125 - Unreimbursed Medical	3,240	43,968	43,165	-	4,043	28,257	32,300	-	-
New Tech Grant	113,804	100,000	211,108	-	2,696	-	2,696	-	-
Elearning Cadre State Grant	-	-	-	-	-	-	710	-	(710)
Washington National Stock	1,409	-	-	-	1,409	5	-	-	1,414
Elementary Mentor	873	-	-	-	873	-	723	-	150
Excellence Education Donation	67	2,350	1,886	-	531	-	100	-	431
Classroom Teacher Grants	2,078	4,135	1,350	-	4,863	1,700	4,934	-	1,629
Collier - Warriorette Basketball	171	-	-	-	171	-	-	-	171
Donations for School Buildings	14,159	24,606	16,779	-	21,987	15,859	25,668	-	12,178
Tech Prep Staff Development	747	-	-	-	747	-	524	-	223
Non-English Speaking Programs	1,229	1,947	3,176	-	-	-	-	-	-
School Technology	4,691	74,304	60,651	-	18,344	379,031	385,331	-	12,044
G & T - Higher Ability Grant	18,640	38,436	44,316	-	12,760	35,621	40,580	-	7,801
IU Mentor Teacher Training	826	-	-	-	826	-	586	-	240
Project Lead The Way	7,933	-	598	-	7,335	19,673	20,123	-	6,885
Title I (11-7255)	91,211	36,600	74,411	(53,400)	-	507,073	543,483	-	(36,410)
Title I (12-7255)	-	428,565	516,697	53,400	(34,732)	180,271	145,539	-	-
Title I - Part D (11-7255)	-	18,453	31,504	14,373	1,322	7,496	8,818	-	-
Title I - Part D (12-7255)	17,030	-	2,657	(14,373)	-	47,801	47,801	-	-
Drug Free Schools	211	5,280	5,714	-	(223)	720	1	-	496
Drug Free Schools - County	1,168	-	798	-	370	-	370	-	-
High Schools That Work	750	-	-	-	750	-	-	-	750
21st Century Learning Centers	10,000	180,196	185,382	(4,814)	-	150,113	146,113	(4,000)	-
Improving Teaching Quality, No Child Left, Title II, Part A	-	32,975	39,987	-	(7,012)	153,608	151,837	-	(5,241)
ITQ, Enhanced Education Through Technology, Title II, Part D	-	-	3,369	-	(3,369)	83,408	80,773	-	(734)
Title I - Grants to LEAs	128,490	-	136,315	-	(7,825)	110,700	102,875	-	-
Special Education - Part B	-	188,369	240,030	-	(51,661)	181,125	129,464	-	-
Education Technology	-	-	-	-	-	100,353	100,353	-	-
Title I - Part D, Subpart 2	26,038	1,800	3,035	-	24,803	-	24,765	(38)	-
Education Jobs	-	57,904	59,124	-	-	368,574	418,279	-	(50,925)
Payroll Withholding	-	4,645,473	4,645,473	-	(0)	4,336,460	4,336,460	-	(0)
Prepaid Food	(46,603)	404,036	436,503	-	(79,070)	485,087	424,128	-	(18,111)
<b>Totals</b>	<b>\$ 6,969,815</b>	<b>\$ 31,503,966</b>	<b>\$ 33,080,845</b>	<b>\$ 2,048,185</b>	<b>\$ 7,441,121</b>	<b>\$ 32,334,042</b>	<b>\$ 34,442,357</b>	<b>\$ 2,067</b>	<b>\$ 5,334,873</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, 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 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. Receipts are recorded when received and disbursements are recorded when paid.

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.

State sources 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.

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

Federal sources 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 which include 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.

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

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.

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

*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.

**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.

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

**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, 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 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 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 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  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

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

*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. *Teacher's Retirement Fund***

*Plan Description*

The Indiana Teacher's 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  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*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 balances. This is a result of (1) disbursements made prior to disbursements being reimbursed from grant proceeds and/or (2) disbursements exceeding receipts due to the underestimate of current requirements. These deficits are to be repaid from future receipts. Funds with cash balance deficits are as follows:

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

Fund	Balance 06-30-11	Balance 06-30-12
(1) Grant Funds:		
Elearning Cadre State Grant	\$ -	\$ 710
Title I (11-7255)	-	36,410
Title I (12-7255)	34,732	-
Drug Free Schools	223	-
Improving Teacher Quality, No Child Left, Title II	7,012	5,241
ITQ, Enhanced Education Through Technology	3,369	734
Title I - Grants to LEA's	7,825	-
Special Education - Part B	51,661	-
Education Jobs	1,220	50,925
(2) Regular School Funds:		
Prepaid Food	79,070	18,111

**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 2011 and 2012 totaled \$1,876,803 and \$1,825,733, 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 2011 and 2012 totaled \$214,120 and \$213,293, respectively.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

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 which are 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 supplementary 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, 2011

	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	\$ 81,702	\$ 1,030,362	\$ 277,372	\$ 569,392	\$ 7,884	\$ 148,440	\$ 2,857,301	\$ 944,497	\$ 434,762
Receipts:									
Local sources	73,282	1,905,216	530,138	1,981,753	1,658,353	385,416	-	-	476,438
Intermediate sources	5,788	-	-	-	-	-	-	-	-
State sources	16,917,605	6,860	-	-	-	-	-	-	13,412
Federal sources	-	-	-	-	-	-	-	-	740,615
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	69,374	-	-	107,065	1,205	-	-	-	10,173
Total receipts	17,066,049	1,912,076	530,138	2,088,818	1,659,558	385,416	-	-	1,240,638
Disbursements:									
Current:									
Instruction	12,656,987	-	-	-	-	-	-	-	-
Support services	5,000,799	-	-	1,253,602	1,419,126	294,163	-	-	-
Noninstructional services	123,429	-	-	-	-	-	-	-	1,119,446
Facilities acquisition and construction	-	-	-	618,236	-	-	-	836,040	49,733
Debt services	-	2,168,310	503,245	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	17,781,215	2,168,310	503,245	1,871,838	1,419,126	294,163	-	836,040	1,169,179
Excess (deficiency) of receipts over disbursements	(715,166)	(256,234)	26,893	216,980	240,432	91,253	-	(836,040)	71,459
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	2,024,274	-
Sale of capital assets	23,849	-	-	62	-	-	-	-	-
Transfers in	696,836	-	-	-	-	28,070	-	-	-
Transfers out	-	(4,690)	-	(58,889)	(110,000)	-	(492,159)	-	-
Total other financing sources (uses)	720,685	(4,690)	-	(58,827)	(110,000)	28,070	(492,159)	2,024,274	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,519	(260,924)	26,893	158,153	130,432	119,323	(492,159)	1,188,234	71,459
Cash and investments - ending	\$ 87,221	\$ 769,438	\$ 304,265	\$ 727,545	\$ 138,316	\$ 267,763	\$ 2,365,142	\$ 2,132,731	\$ 506,221

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, 2011  
 (Continued)

	Textbook Rental	Levy Excess	Educational License Plates	Scottsburg Band Parents	ECA Reimbursable Activities	Pepsi ECA Field Trips	John Ulen Scholarship	Alumni Class of 56 Scholarship	SHS Alumni Association
Cash and investments - beginning	\$ 89,760	\$ -	\$ 94	\$ 1,311	\$ 637	\$ 2,788	\$ 25,000	\$ 21,686	\$ 11,150
Receipts:									
Local sources	147,118	28,070	-	-	14,307	7,610	-	50	-
Intermediate sources	-	-	431	-	-	-	-	-	-
State sources	80,389	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	4,632	-	-	7,334	-	9,500	-	-	-
Total receipts	232,139	28,070	431	7,334	14,307	17,110	-	50	-
Disbursements:									
Current:									
Instruction	-	-	-	6,211	-	-	-	-	-
Support services	204,002	-	250	-	-	19,898	-	-	-
Noninstructional services	-	-	-	-	10,947	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	1,000	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	204,002	-	250	6,211	10,947	19,898	-	1,000	-
Excess (deficiency) of receipts over disbursements	28,137	28,070	181	1,123	3,360	(2,788)	-	(950)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	4,690	-	-	-	-	-	-	-	-
Transfers out	(30,974)	(28,070)	-	-	-	-	-	-	-
Total other financing sources (uses)	(26,284)	(28,070)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,853	-	181	1,123	3,360	(2,788)	-	(950)	-
Cash and investments - ending	\$ 91,613	\$ -	\$ 275	\$ 2,434	\$ 3,997	\$ -	\$ 25,000	\$ 20,736	\$ 11,150

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, 2011  
 (Continued)

	M E P Scholarship	Ivan & Faye Rogers Scholarship	Wilson Scholarship	Joyce Hall Scholarship	SCSD2 SHS Scholarship	IPALCO Indiana Parks Association	Mildred McNay Scholarship	Band of Warriors Winter Guard	Extended Day Kindergarten Fees
Cash and investments - beginning	\$ 44,697	\$ 2,597	\$ 4,654	\$ 1,500	\$ 350	\$ 207	\$ 350	\$ 1,480	\$ -
Receipts:									
Local sources	-	-	-	1,500	-	-	-	-	556
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	5,448	-	-
Total receipts	-	-	-	1,500	-	-	-	5,448	556
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	4,008	556
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	501	501	500	1,500	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	501	501	500	1,500	-	-	-	4,008	556
Excess (deficiency) of receipts over disbursements	(501)	(501)	(500)	-	-	-	-	1,440	-
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	(501)	(501)	(500)	-	-	-	-	1,440	-
Cash and investments - ending	\$ 44,196	\$ 2,096	\$ 4,154	\$ 1,500	\$ 350	\$ 207	\$ 350	\$ 2,920	\$ -

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, 2011  
 (Continued)

	Kids First/ We Care	Section 125 Unreimbursed Medical	New Tech Grant	Elearning Cadre State Grant	Washington National Stock	Elementary Mentor	Excellence Education Donation	Classroom Teachers Grants	Collier Warriorette Basketball
Cash and investments - beginning	\$ 11,680	\$ 3,240	\$ 113,804	\$ -	\$ 1,409	\$ 873	\$ 67	\$ 2,078	\$ 171
Receipts:									
Local sources	24,931	43,968	100,000	-	-	-	2,350	4,135	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	24,931	43,968	100,000	-	-	-	2,350	4,135	-
Disbursements:									
Current:									
Instruction	23,827	43,165	-	-	-	-	-	1,350	-
Support services	-	-	211,108	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	249	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	1,637	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	23,827	43,165	211,108	-	-	-	1,886	1,350	-
Excess (deficiency) of receipts over disbursements	1,104	803	(111,108)	-	-	-	464	2,785	-
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	1,104	803	(111,108)	-	-	-	464	2,785	-
Cash and investments - ending	\$ 12,784	\$ 4,043	\$ 2,696	\$ -	\$ 1,409	\$ 873	\$ 531	\$ 4,863	\$ 171

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, 2011  
 (Continued)

	Donations For School Buildings	Tech Prep Staff Development	Non-English Speaking Programs	School Technology	G & T Higher Ability Grant	IU Mentor Teacher Training	Project Lead-The-Way	Title I (11-7255)	Title I (12-7255)
Cash and investments - beginning	\$ 14,159	\$ 747	\$ 1,229	\$ 4,691	\$ 18,640	\$ 826	\$ 7,933	\$ 91,211	\$ -
Receipts:									
Local sources	24,606	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	1,947	4,070	36,955	-	-	-	-
Federal sources	-	-	-	11,073	-	-	-	36,600	428,565
Temporary loans	-	-	-	57,680	-	-	-	-	-
Interfund loans	-	-	-	1,481	1,481	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	24,606	-	1,947	74,304	38,436	-	-	36,600	428,565
Disbursements:									
Current:									
Instruction	9,199	-	3,176	-	42,835	-	598	72,000	502,593
Support services	-	-	-	1,490	-	-	-	1,707	7,077
Noninstructional services	-	-	-	-	-	-	-	704	7,027
Facilities acquisition and construction	7,580	-	-	57,680	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	1,481	1,481	-	-	-	-
Total disbursements	16,779	-	3,176	60,651	44,316	-	598	74,411	516,697
Excess (deficiency) of receipts over disbursements	7,827	-	(1,229)	13,653	(5,880)	-	(598)	(37,811)	(88,132)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	53,400
Transfers out	-	-	-	-	-	-	-	(53,400)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(53,400)	53,400
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,827	-	(1,229)	13,653	(5,880)	-	(598)	(91,211)	(34,732)
Cash and investments - ending	\$ 21,986	\$ 747	\$ -	\$ 18,344	\$ 12,760	\$ 826	\$ 7,335	\$ -	\$ (34,732)

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, 2011  
 (Continued)

	Title I, Part D (11-7255)	Title I, Part D (12-7255)	Drug Free Schools	Drug Free Schools County	High Schools That Work	21st Century Learning Centers	Improving Teaching Quality No Child Left Title II, Part A	ITQ Enhanced Education Through Technology Title II, Part D
Cash and investments - beginning	\$ -	\$ 17,030	\$ 211	\$ 1,168	\$ 750	\$ 10,000	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	18,453	-	5,280	-	-	180,196	32,975	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	18,453	-	5,280	-	-	180,196	32,975	-
Disbursements:								
Current:								
Instruction	31,504	2,447	504	798	-	185,382	39,782	-
Support services	-	210	5,210	-	-	-	205	3,369
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	31,504	2,657	5,714	798	-	185,382	39,987	3,369
Excess (deficiency) of receipts over disbursements	(13,051)	(2,657)	(434)	(798)	-	(5,186)	(7,012)	(3,369)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	14,373	-	-	-	-	-	-	-
Transfers out	-	(14,373)	-	-	-	(4,814)	-	-
Total other financing sources (uses)	14,373	(14,373)	-	-	-	(4,814)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,322	(17,030)	(434)	(798)	-	(10,000)	(7,012)	(3,369)
Cash and investments - ending	\$ 1,322	\$ -	\$ (223)	\$ 370	\$ 750	\$ -	\$ (7,012)	\$ (3,369)

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, 2011  
 (Continued)

	Title I Grants to LEAs	Special Education Part B	Education Technology	Title I Part D Subpart 2	Education Jobs	Payroll Withholding	Prepaid Food	Totals
Cash and investments - beginning	\$ 128,490	\$ -	\$ -	\$ 26,038	\$ -	\$ -	\$ (46,603)	\$ 6,969,815
Receipts:								
Local sources	-	-	-	-	-	-	-	7,409,797
Intermediate sources	-	-	-	-	-	-	-	6,219
State sources	-	-	-	-	-	-	-	17,061,238
Federal sources	-	188,369	-	1,800	57,904	-	-	1,701,830
Temporary loans	-	-	-	-	-	-	-	57,680
Interfund loans	-	-	-	-	-	-	-	2,962
Other	-	-	-	-	-	4,645,473	404,036	5,264,240
Total receipts	-	188,369	-	1,800	57,904	4,645,473	404,036	31,503,966
Disbursements:								
Current:								
Instruction	118,183	239,687	-	3,035	54,284	-	-	14,042,111
Support services	17,397	343	-	-	4,840	-	-	8,444,796
Noninstructional services	735	-	-	-	-	-	-	1,262,537
Facilities acquisition and construction	-	-	-	-	-	-	-	1,569,269
Debt services	-	-	-	-	-	-	-	2,671,555
Nonprogrammed charges	-	-	-	-	-	4,645,473	436,503	5,087,615
Interfund loans	-	-	-	-	-	-	-	2,962
Total disbursements	136,315	240,030	-	3,035	59,124	4,645,473	436,503	33,080,845
Excess (deficiency) of receipts over disbursements	(136,315)	(51,661)	-	(1,235)	(1,220)	-	(32,467)	(1,576,879)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	2,024,274
Sale of capital assets	-	-	-	-	-	-	-	23,911
Transfers in	-	-	-	-	-	-	-	797,369
Transfers out	-	-	-	-	-	-	-	(797,369)
Total other financing sources (uses)	-	-	-	-	-	-	-	2,048,185
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(136,315)	(51,661)	-	(1,235)	(1,220)	-	(32,467)	471,306
Cash and investments - ending	\$ (7,825)	\$ (51,661)	\$ -	\$ 24,803	\$ (1,220)	\$ -	\$ (79,070)	\$ 7,441,121

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, 2012

	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	\$ 87,221	\$ 769,438	\$ 304,265	\$ 727,545	\$ 138,316	\$ 267,763	\$ 2,365,142	\$ 2,132,731	\$ 506,221
Receipts:									
Local sources	15,754	2,265,748	371,090	1,824,735	1,639,637	248,712	-	-	445,885
Intermediate sources	22	-	-	-	-	-	-	-	-
State sources	16,850,943	-	-	-	-	-	-	-	13,686
Federal sources	-	-	-	-	-	-	-	-	820,537
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	100,936	-	-	99,057	54,434	-	-	33,474	(20,725)
Total receipts	16,967,655	2,265,748	371,090	1,923,792	1,694,071	248,712	-	33,474	1,259,383
Disbursements:									
Current:									
Instruction	11,539,077	-	-	-	-	-	208,286	-	-
Support services	5,115,485	-	-	1,045,778	1,689,169	393,835	-	-	-
Noninstructional services	159,568	-	-	-	-	-	-	-	1,227,274
Facilities acquisition and construction	-	-	-	819,952	15,052	-	-	2,103,099	1,800
Debt services	-	2,135,300	504,971	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	16,814,130	2,135,300	504,971	1,865,730	1,704,221	393,835	208,286	2,103,099	1,229,074
Excess (deficiency) of receipts over disbursements	153,525	130,448	(133,881)	58,062	(10,150)	(145,123)	(208,286)	(2,069,625)	30,309
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	1,817	-	-	250	-	-	-	-	-
Transfers in	4,038	-	-	-	-	-	-	-	-
Transfers out	-	(6,363)	-	-	-	-	-	-	-
Total other financing sources (uses)	5,855	(6,363)	-	250	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	159,380	124,085	(133,881)	58,312	(10,150)	(145,123)	(208,286)	(2,069,625)	30,309
Cash and investments - ending	\$ 246,601	\$ 893,523	\$ 170,384	\$ 785,857	\$ 128,166	\$ 122,640	\$ 2,156,856	\$ 63,106	\$ 536,530

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, 2012  
 (Continued)

	Textbook Rental	Levy Excess	Educational License Plates	Scottsburg Band Parents	ECA Reimbursable Activities	Pepsi ECA Field Trips	John Ulen Scholarship	Alumni Class of 56 Scholarship	SHS Alumni Association
Cash and investments - beginning	\$ 91,613	\$ -	\$ 275	\$ 2,434	\$ 3,997	\$ -	\$ 25,000	\$ 20,736	\$ 11,150
Receipts:									
Local sources	166,801	-	-	2,900	5,393	6,355	-	75	-
Intermediate sources	-	-	431	-	-	-	-	-	-
State sources	124,271	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	3,476	-	-	23,473	-	9,500	-	-	-
Total receipts	294,548	-	431	26,373	5,393	15,855	-	75	-
Disbursements:									
Current:									
Instruction	-	-	-	27,155	-	-	-	3,822	-
Support services	192,047	-	68	-	-	15,855	-	-	3,822
Noninstructional services	-	-	-	-	9,390	-	-	-	-
Facilities acquisition and construction	19,080	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	1,497	1,000	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	211,127	-	68	27,155	9,390	15,855	1,497	4,822	3,822
Excess (deficiency) of receipts over disbursements	83,421	-	363	(782)	(3,997)	-	(1,497)	(4,747)	(3,822)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	6,363	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	6,363	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	89,784	-	363	(782)	(3,997)	-	(1,497)	(4,747)	(3,822)
Cash and investments - ending	\$ 181,397	\$ -	\$ 638	\$ 1,652	\$ -	\$ -	\$ 23,503	\$ 15,989	\$ 7,328

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, 2012  
 (Continued)

	M E P Scholarship	Ivan & Faye Rogers Scholarship	Wilson Scholarship	Joyce Hall Scholarship	SCSD2 SHS Scholarship	IPALCO Indiana Parks Association	Mildred McNay Scholarship	Band of Warriors Winter Guard	Extended Day Kindergarten Fees
Cash and investments - beginning	\$ 44,196	\$ 2,096	\$ 4,154	\$ 1,500	\$ 350	\$ 207	\$ 350	\$ 2,920	\$ -
Receipts:									
Local sources	-	845	-	-	190	-	-	1,099	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	5,551	-
Total receipts	-	845	-	-	190	-	-	6,650	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	207	-	7,041	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	500	500	500	1,500	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	500	500	500	1,500	-	207	-	7,041	-
Excess (deficiency) of receipts over disbursements	(500)	345	(500)	(1,500)	190	(207)	-	(391)	-
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	(500)	345	(500)	(1,500)	190	(207)	-	(391)	-
Cash and investments - ending	\$ 43,696	\$ 2,441	\$ 3,654	\$ -	\$ 540	\$ -	\$ 350	\$ 2,529	\$ -

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, 2012  
 (Continued)

	Kids First/ We Care	Section 125 Unreimbursed Medical	New Tech Grant	Elearning Cadre State Grant	Washington National Stock	Elementary Mentor	Excellence Education Donation	Classroom Teachers Grants	Collier Warriorette Basketball
Cash and investments - beginning	\$ 12,784	\$ 4,043	\$ 2,696	\$ -	\$ 1,409	\$ 873	\$ 531	\$ 4,863	\$ 171
Receipts:									
Local sources	26,822	28,257	-	-	5	-	-	1,700	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	26,822	28,257	-	-	5	-	-	1,700	-
Disbursements:									
Current:									
Instruction	24,393	32,300	-	-	-	-	-	4,934	-
Support services	-	-	2,696	710	-	723	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	100	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	24,393	32,300	2,696	710	-	723	100	4,934	-
Excess (deficiency) of receipts over disbursements	2,429	(4,043)	(2,696)	(710)	5	(723)	(100)	(3,234)	-
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	2,429	(4,043)	(2,696)	(710)	5	(723)	(100)	(3,234)	-
Cash and investments - ending	\$ 15,213	\$ -	\$ -	\$ (710)	\$ 1,414	\$ 150	\$ 431	\$ 1,629	\$ 171

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, 2012  
 (Continued)

	Donations For School Buildings	Tech Prep Staff Development	Non-English Speaking Programs	School Technology	G & T Higher Ability Grant	IU Mentor Teacher Training	Project Lead-The-Way	Title I (11-7255)	Title I (12-7255)
Cash and investments - beginning	\$ 21,986	\$ 747	\$ -	\$ 18,344	\$ 12,760	\$ 826	\$ 7,335	\$ -	\$ (34,732)
Receipts:									
Local sources	15,859	-	-	1,500	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	5,740	35,621	-	19,673	-	-
Federal sources	-	-	-	17,226	-	-	-	507,073	180,271
Temporary loans	-	-	-	352,793	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	1,772	-	-	-	-	-
Total receipts	15,859	-	-	379,031	35,621	-	19,673	507,073	180,271
Disbursements:									
Current:									
Instruction	16,185	524	-	-	40,580	-	20,123	491,652	142,532
Support services	-	-	-	15,658	-	586	-	46,080	620
Noninstructional services	-	-	-	-	-	-	-	5,751	2,387
Facilities acquisition and construction	9,483	-	-	369,673	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	25,668	524	-	385,331	40,580	586	20,123	543,483	145,539
Excess (deficiency) of receipts over disbursements	(9,809)	(524)	-	(6,300)	(4,959)	(586)	(450)	(36,410)	34,732
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	(9,809)	(524)	-	(6,300)	(4,959)	(586)	(450)	(36,410)	34,732
Cash and investments - ending	\$ 12,177	\$ 223	\$ -	\$ 12,044	\$ 7,801	\$ 240	\$ 6,885	\$ (36,410)	\$ -

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, 2012  
 (Continued)

	Title I, Part D (11-7255)	Title I, Part D (12-7255)	Drug Free Schools	Drug Free Schools County	High Schools That Work	21st Century Learning Centers	Improving Teaching Quality No Child Left Title II, Part A	ITQ Enhanced Education Through Technology Title II, Part D
Cash and investments - beginning	\$ 1,322	\$ -	\$ (223)	\$ 370	\$ 750	\$ -	\$ (7,012)	\$ (3,369)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	7,496	47,801	720	-	-	150,113	153,608	83,408
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>7,496</u>	<u>47,801</u>	<u>720</u>	<u>-</u>	<u>-</u>	<u>150,113</u>	<u>153,608</u>	<u>83,408</u>
Disbursements:								
Current:								
Instruction	8,818	47,801	-	370	-	146,113	132,650	2,061
Support services	-	-	1	-	-	-	19,187	14,393
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	64,319
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>8,818</u>	<u>47,801</u>	<u>1</u>	<u>370</u>	<u>-</u>	<u>146,113</u>	<u>151,837</u>	<u>80,773</u>
Excess (deficiency) of receipts over disbursements	<u>(1,322)</u>	<u>-</u>	<u>719</u>	<u>(370)</u>	<u>-</u>	<u>4,000</u>	<u>1,771</u>	<u>2,635</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(4,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,322)</u>	<u>-</u>	<u>719</u>	<u>(370)</u>	<u>-</u>	<u>-</u>	<u>1,771</u>	<u>2,635</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 496</u>	<u>\$ -</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ (5,241)</u>	<u>\$ (734)</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, 2012  
 (Continued)

	Title I Grants to LEAs	Special Education Part B	Education Technology	Title I Part D Subpart 2	Education Jobs	Payroll Withholding	Prepaid Food	Totals
Cash and investments - beginning	\$ (7,825)	\$ (51,661)	\$ -	\$ 24,803	\$ (1,220)	\$ -	\$ (79,070)	\$ 7,441,121
Receipts:								
Local sources	-	-	-	-	-	-	-	7,069,362
Intermediate sources	-	-	-	-	-	-	-	453
State sources	-	-	-	-	-	-	-	17,049,934
Federal sources	110,700	181,125	100,353	-	368,574	-	-	2,729,005
Temporary loans	-	-	-	-	-	-	-	352,793
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	4,336,460	485,087	5,132,495
Total receipts	<u>110,700</u>	<u>181,125</u>	<u>100,353</u>	<u>-</u>	<u>368,574</u>	<u>4,336,460</u>	<u>485,087</u>	<u>32,334,042</u>
Disbursements:								
Current:								
Instruction	42,717	129,464	-	24,765	356,532	-	-	13,450,102
Support services	59,158	-	3,768	-	61,747	-	-	8,681,386
Noninstructional services	1,000	-	-	-	-	-	-	1,405,370
Facilities acquisition and construction	-	-	96,585	-	-	-	-	3,499,043
Debt services	-	-	-	-	-	-	-	2,640,271
Nonprogrammed charges	-	-	-	-	-	4,336,460	424,128	4,766,185
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>102,875</u>	<u>129,464</u>	<u>100,353</u>	<u>24,765</u>	<u>418,279</u>	<u>4,336,460</u>	<u>424,128</u>	<u>34,442,357</u>
Excess (deficiency) of receipts over disbursements	<u>7,825</u>	<u>51,661</u>	<u>-</u>	<u>(24,765)</u>	<u>(49,705)</u>	<u>-</u>	<u>60,959</u>	<u>(2,108,315)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	2,067
Transfers in	-	-	-	-	-	-	-	10,401
Transfers out	-	-	-	(38)	-	-	-	(10,401)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,067</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>7,825</u>	<u>51,661</u>	<u>-</u>	<u>(24,803)</u>	<u>(49,705)</u>	<u>-</u>	<u>60,959</u>	<u>(2,106,248)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,925)</u>	<u>\$ -</u>	<u>\$ (18,111)</u>	<u>\$ 5,334,873</u>

SCOTT COUNTY SCHOOL DISTRICT 2  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2012

<u>Description</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 660,531</u>	<u>\$ 59,488</u>

SCOTT COUNTY SCHOOL DISTRICT 2  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2012

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Capital leases:			
Scottsburg Middle School Building	\$ 12,340,803	\$ 1,359,000	200
Technology Building Renovation	1,603,000	213,428	200
Loans payable:			
2008 Common School Loan	9,667	9,715	200
2009 Common School Loan	138,175	56,514	200
2010 Common School Loan	38,453	19,563	200
Bonds payable:			
General obligation bonds:			
Pension Bonds of 2004	1,175,000	505,270	250
General Obligation Bonds of 2010	<u>1,015,000</u>	<u>342,705</u>	200
 Total debt	 <u>\$ 16,320,098</u>	 <u>\$ 2,506,195</u>	

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SCOTT COUNTY SCHOOL DISTRICT 2  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2012

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land and buildings	\$ 55,088,013
Machinery and equipment	<u>2,503,178</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 57,591,191</u>

SCOTT COUNTY SCHOOL DISTRICT 2  
AUDIT RESULTS AND COMMENTS

**PREPAID FOOD FUND – NET DEFICIT CASH BALANCE**

The School Corporation followed the prescribed accounting system to account for the collection of prepaid student meals to account for meals served on an individual student basis. Under this system, an account was set up for each student. Students who had prepaid their meals would have had a positive account balance. Students who had not paid, but had been served meals, would have had a negative or deficit balance. The individual deficit balances in student accounts exceeded positive balances in student accounts resulting in a net deficit cash balance in the Prepaid Food Fund in the amount of \$18,111 at June 30, 2012.

Students were required to pay for the cost of the meal served unless they qualify for free or reduced meal prices under the National School Lunch Program. School Corporation officials stated there were also students who did not qualify for free and reduced lunches that showed the inability to pay. It was the practice of the School Corporation to serve meals to all students regardless of their ability to pay.

Our review of School Board policies and practices regarding non-payment of student meals identified the following internal control deficiencies:

1. The School Corporation was not following its policy regarding students with deficit account balances. The policy stated that if a student reaches the \$12 charge maximum, they will be served an alternative lunch such as a cheese or peanut butter sandwich with milk. Letters will be sent to parents if the student remains in the minus. The policy further stated that if your child's cafeteria account reaches a negative balance of \$25 or more, you will be notified in writing that you have 10 days to remit the amount owed. If the amount is not paid within the 10 day period, the school corporation will file a small claim with the local court which will add an additional court cost of \$42 to your outstanding balance.

The purpose of providing an alternative meal was to provide a low cost meal that would not be charged to the student's accounts.

Prior to July 1, 2010, the School Corporation discontinued providing alternative meals to students who did not pay and began providing all students regular meals. However, the School Corporation did not update their policy to match their practice. We noted one student account that had a deficit balance approximating four years of meals. The change in policy/practice and unsuccessful collection procedures have allowed the deficit balances to accumulate.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

2. The net deficit cash balances were as follows at June 30<sup>th</sup>:

<u>Year</u>	<u>Net Deficit Cash Balance</u>
2010	\$46,403
2011	79,070
2012	18,111

SCOTT COUNTY SCHOOL DISTRICT 2  
AUDIT RESULTS AND COMMENTS  
(Continued)

The net deficit cash balance declined in school year 2011-2012 because the School Corporation wrote off student accounts with deficit balances totaling \$73,003 and transferred \$73,003 from the School Lunch Fund (see item 4 below) to the Prepaid Food Fund. Steve Nauman, Business Manager/Treasurer, stated the accounts were written-off because collection procedures were unsuccessful and the accounts were determined to be uncollectible.

The School Board approved the transfer of funds through the normal claim process; however, no policy addressing the procedure for approving writing-off of accounts was presented for audit.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Detail information was not retained for audit to identify the individual student accounts totaling \$73,003 that were written-off.

Failure to have detailed information of individual dollar amounts of accounts written off jeopardized the ability to determine the validity of the activity.

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

3. The monthly reconciliation performed by the School Corporation showed an unidentified variance in the amount of \$3,412 at June 30, 2012, between the Prepaid Food Fund cash balance (control) and the total of the detailed student account balances (subsidiary ledger).

A reconciliation of the subsidiary ledger record with the control was necessary in order to ensure that all financial activity recorded on individual student accounts was properly recorded in the control. Failure to identify the cause of a reconciling variance could lead to inaccurate financial reporting and allow fraud to occur without being detected timely.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank control balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SCOTT COUNTY SCHOOL DISTRICT 2  
AUDIT RESULTS AND COMMENTS  
(Continued)

4. The School Corporation transferred \$73,003 from the School Lunch Fund to the Prepaid Food Fund in connection with the write-off of deficit student balances (see item 3 above).

The School Lunch Fund was used to account for financial activity related to providing meals to students and was to be self-supporting based upon fees charged for meals provided and federal reimbursements received under the National School Lunch Program for meals provided to students who qualify for free or reduced meals. There were no provisions to fund the cost of meals from the School Lunch Fund for students that did not qualify for free and reduced meals and who did not pay.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

If authorized by School Board policy, a payment from the General Fund to the Prepaid Food Fund in connection with the write-off of deficit student balances could have been made after collection procedures were followed and student accounts had been determined uncollectible. Expenditure Account Number 33500 (Welfare Activities Services) has been provided in the Master Chart of Accounts prescribed for School Corporations described as follows:

Welfare Activities Services: Activities concerned with providing assistance for the personal requirements of individuals for whom a need is determined. This includes aid to students in meeting the provisions of the compulsory education law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 5)

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)

***PURCHASE OF COMPUTERS NOT BID***

The School Corporation entered into an agreement on June 21, 2011, with Apple Inc., for the purchase of 200 MacBooks at a cost of \$149,600. The School Corporation did not solicit bids or document in a contract file why the purchase could be made without soliciting bids. The purchase was made from a federal grant.

Purchases of equipment are subject to the soliciting of bids or proposals outlined in Indiana Code 5-22-7-1, unless another purchasing method is authorized by statute and selected by the purchasing agency.

Competitive Bidding Requirements

Indiana Code 5-22-7-1 states: "A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

SCOTT COUNTY SCHOOL DISTRICT 2  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-22-7-5 states in part:

"(a) The purchasing agency shall give notice of the invitation for bids in the manner required by Indiana Code 5-3-1. . . .

(c) The purchasing agency for a political subdivision may also provide electronic access to the notice through: (1) the computer gateway administered by the office of technology; or (2) any other electronic means available to the political subdivision."

Special Purchasing Methods

Indiana Code 5-22-10-1 states: "Notwithstanding any other provision of this article, a purchasing agent may make a purchase under this chapter without soliciting bids or proposals."

Indiana Code 5-22-10-2 states: "A special purchase must be made with competition as is practicable under the circumstances."

Indiana Code 5-22-10-3 states in part:

"(a) A purchasing agent shall maintain the contract records for a special purchase in a separate file.

- (b) A purchasing agent shall include in the contract file a written determination of the basis for:
- (1) the special purchase; and
  - (2) the selection of a particular contractor.

(c) Notwithstanding any other law, a governmental body shall maintain a record listing all contracts made under this chapter for a minimum of five (5) years. The record must contain the following information:

- (1) Each contractor's name.
- (2) The amount and type of each contract.
- (3) A description of the supplies purchased under each contract."

School corporations should obtain the written position of the school corporation attorney as to which section of Indiana Code 5-22-10 might be applicable to any particular situation. The written position of the school corporation attorney should then be attached to the completed Special Purchase Contract File List Form (sample on page 15-30 of the *Accounting And Uniform Compliance Guidelines Manual For Indiana Public School Corporations*) and retained and for audit as a public record. (School Administrator and Uniform Compliance Guidelines, March 2011)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

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, 2010 to June 30, 2012. 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 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. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

As described in item 2012-1, 2012-2, and 2012-3 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs that are applicable to its Twenty-First Century Community Learning Centers grant and Procurement that is applicable to its Education Technology State Grants Cluster. Compliance with such requirements are necessary, in our opinion, for the School Corporation to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its other major federal programs for the period of July 1, 2010 to June 30, 2012.

Internal Control Over Compliance

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 to

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 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 2012-1, 2012-2, and 2012-3 to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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

February 25, 2013

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2011 and 2012

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 06-30-11	Total Federal Awards Expended 06-30-12
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	SY 10-11 SY 11-12	\$ 151,522 -	\$ - 180,738
National School Lunch Program	10.555	SY 10-11 SY 11-12	657,909 -	- 726,581
Total for cluster			<u>809,431</u>	<u>907,319</u>
Child and Adult Care Food Program	10.558	SY 10-11 SY 11-12	2,452 -	- 2,752
Total for program			<u>2,452</u>	<u>2,752</u>
Total for federal grantor agency			<u>811,883</u>	<u>910,071</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	10-7255 11-7255 12-7255	74,411 516,697 -	- 145,539 507,073
School Improvement Funds		10-7255, Part D 11-7255, Part D 12-7255, Part D	2,656 31,504 -	- 8,818 47,801
Total for program			<u>625,268</u>	<u>709,231</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	09-7255 09-7255, Part D	136,315 3,035	102,875 24,802
Total for program			<u>139,350</u>	<u>127,677</u>
Total for cluster			<u>764,618</u>	<u>836,908</u>
Education Technology State Grants Cluster				
Education Technology State Grants	84.318	A58-1-11IT-028	3,369	83,408
ARRA - Education Technology State Grants, Recovery Act	84.386	A58-0-11IT-031	-	100,353
Total for cluster			<u>3,369</u>	<u>183,761</u>
Pass-Through Madison Area Educational Special Services Unit				
Special Education Cluster				
ARRA - Special Education - Grants to States, Recovery Act	84.391	33310-038-SN01	188,369	181,125
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	44410-038-SN01	-	322
Total for cluster			<u>188,369</u>	<u>181,447</u>
Pass-Through Indiana Department of Education				
Safe and Drug Free Schools and Communities - State Grants	84.186	SY 10-11 SY 11-12	5,714 -	- 497
Total for program			<u>5,714</u>	<u>497</u>
Twenty-First Century Community Learning Centers	84.287	S287C020014	190,196	150,113
Improving Teacher Quality State Grants	84.367	SY 10-11 SY 11-12	32,974 -	- 153,608
Total for program			<u>32,974</u>	<u>153,608</u>
Education Jobs Fund	84.410	SY 10-11 SY 11-12	57,904 -	- 368,574
Total for program			<u>57,904</u>	<u>368,574</u>
Total for federal grantor agency			<u>1,243,144</u>	<u>1,874,908</u>
Total federal awards expended			<u>\$ 2,055,027</u>	<u>\$ 2,784,979</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 includes the federal grant activity of the Scott County School District 2 (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 et seq.), 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, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2011	2012
School Breakfast Program	10.553	\$ 13,341	\$ 17,835
National School Lunch Program	10.555	57,927	71,699

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; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

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:	Unqualified for all programs except Twenty-First Century Community Learning Centers and Education Technology State Grants Cluster, which were qualified.
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
84.287	Education Technology State Grants Cluster Special Education Cluster
84.410	Twenty-First Century Community Learning Centers Education Jobs Fund

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 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**FINDING 2012-1 - ALLOWABLE COSTS**

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

A review of the expenditures for school year 2010-2011 showed that total grant expenditures did not exceed total budgeted expenditures; however, expenditures exceeded line item budgeted expenditures for personnel; fringe benefits and other in the amount of \$10,115. No written consent for the additional expenditure for the effected line items was obtained from the Indiana Department of Education.

School Corporation Officials indicated the overspent line items were disclosed on their reimbursement request and the pass-through entity did not deny their reimbursement request. Accordingly, School Corporation Officials had the understanding that the excess expenditures by line item were approved.

The grant agreement with the Indiana Department of Education states in part: "The Grantee shall not spend more than the amount for each line item, as described in the budget, without the prior written consent of a duly authorized representative of the State. . . ."

Noncompliance with the budget requirements specified in the grant document may be considered unauthorized expenditures. Unauthorized expenditures could result in the School Corporation being requested to refund excess expenditures.

The excess expenditures were caused by either the School Corporation not understanding the budget modification budget procedure or by not obtaining a written directive or clarification from the pass-through entity regarding their procedure for budget modifications.

OMB Circular A-87 Attachment A (General Principles for Determining Allowable Costs) states in part:

"2. Policy guides.

a. The application of these principles is based on the fundamental premises that:

- (1) Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.
- (2) Governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. . . ."

OMB Circular A133, Subpart C, Section 300(b) states:

"The auditee shall: "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 line item expenditures in excess amounts budgeted in the amount of \$10,115 is considered to be a questioned cost.

We recommended the School Corporation establish internal control procedures to ensure compliance regarding procedures to follow to obtain approval for budget modifications.

**FINDING 2012-2 - ALLOWABLE COSTS**

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

The School Corporation entered into a "Memorandum of Agreement" with Scott County Partnership, Inc., (Partnership) to provide staffing and programming for before and after school programs. We noted the following regarding the agreement:

1. The agreement was for the term January 1, 2009 through May 31, 2010. The federal program runs through May 31, 2013. No addendum or new agreement was presented for audit that covers the period between June 1, 2010 and May 31, 2013.

School Corporation Officials stated they were of the understanding that because the grant was for four years that they did not need to renew the contract if all contractual conditions remained the same.

2. The Partnership invoiced the School Corporation for personnel and other costs. However, the expired agreement did not contain provisions on how the amounts invoiced were determined. The School Corporation paid the Partnership a total of \$275,466 from July 1, 2010 to June 30, 2012.

School Corporation Officials stated the understanding between the School Corporation and the Partnership was for the Partnership to be reimbursed for actual costs up to the amount of the grant agreement. Due to this understanding, the School Corporation did not include a dollar amount or rate of compensation in the agreement.

OMB Circular A-87, Attachment B (Selected Items of costs) states in part the following regarding professional services:

"32. Professional service costs. . . .

b. In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant: . . .

(7) The qualifications of the individual or concern rendering the service and the customary fees charged . . .

(8) Adequacy of the contractual agreement for the service (e.g. description of service . . . rate of compensation . . .)."

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

OMB Circular A133, Subpart C, section 300(b) states:

"The auditee shall: "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."

Due to the contract being expired and the inadequacy of the expired contract regarding compensation, expenditures in the amount of \$275,466 are considered to be questioned costs.

We recommended that the School Corporation update their agreement with the Partnership and enter into a contractual agreement prior to additional payments are made to the partnership.

***FINDING 2012-3 - PROCUREMENT***

Federal Agency: U.S. Department of Education  
Federal Program: Education Technology State Grants and ARRA - Education  
Technology State Grants, Recovery Act  
CFDA Number: 84.318/84.386  
Federal Award Number: A58-1-11IT-028/A58-0-11IT-031  
Pass-Through Entity: Indiana Department of Education

The School Corporation entered into an agreement on June 21, 2011 with Apple Inc., for the purchase of 200 MacBooks at a cost of \$149,600. The School Corporation did not solicit bids or document in a contract file why the purchase could be made without soliciting bids. The total amount paid from the Educational Technology State Grants for this equipment totaled \$64,319 and from the Educational Technology State Grants, Recovery Act, totaled \$85,281.

The School Corporation did not have a process in place that formally evaluated purchases to determine, if there were any special purchasing methods available under Indiana Code 5-22-10 that would allow a purchase without soliciting bids or proposals.

Purchases of equipment are subject to the soliciting of bids or proposals outlined in Indiana Code 5-22-7-1, unless another purchasing method is authorized by statute and selected by the purchasing agency.

Competitive Bidding Requirements

Indiana Code 5-22-7-1 states: "A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

Indiana Code 5-22-7-5 states in part:

"(a) The purchasing agency shall give notice of the invitation for bids in the manner required by Indiana Code 5-3-1. . . ."

"(c) The purchasing agency for a political subdivision may also provide electronic access to the notice through: (1) the computer gateway administered by the office of technology; or (2) any other electronic means available to the political subdivision."

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

Special Purchasing Methods

Indiana Code 5-22-10-1 states: "Notwithstanding any other provision of this article, a purchasing agent may make a purchase under this chapter without soliciting bids or proposals."

Indiana Code 5-22-10-2 states: "A special purchase must be made with competition as is practicable under the circumstances."

Indiana Code 5-22-10-3 states in part the following:

"(a) A purchasing agent shall maintain the contract records for a special purchase in a separate file.

(b) A purchasing agent shall include in the contract file a written determination of the basis for:

- (1) the special purchase; and
- (2) the selection of a particular contractor.

(c) Notwithstanding any other law, a governmental body shall maintain a record listing all contracts made under this chapter for a minimum of five (5) years. The record must contain the following information:

- (1) Each contractor's name.
- (2) The amount and type of each contract.
- (3) A description of the supplies purchased under each contract."

School corporations should obtain the written position of the school corporation attorney as to which section of Indiana Code 5-22-10 might be applicable to any particular situation. The written position of the school corporation attorney should then be attached to the completed Special Purchase Contract File List Form (sample on page 15-30 of the *Accounting And Uniform Compliance Guidelines Manual For Indiana Public School Corporations*) and retained and for audit as a public record. (School Administrator and Uniform Compliance Guidelines, March 2011)

34 CFR 80.36 (b) states in part: "Procurement standards. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards . . ."

OMB Circular A133, Subpart C, section 300(b) states:

"The auditee shall: "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."

As a result, the School corporation could have incurred additional costs by not following the competitive bidding process.

We recommended that the School Corporation establish procedures to formally evaluate purchases to determine if special purchasing methods are available that would allow the purchase without soliciting bids or proposals.

Scott County School District 2  
375 East McClain Avenue  
Scottsburg, IN 47170

**Corrective Action Plan**

2010-12

Audit Contact Person: Steve Nauman  
Title of Contact Person: Business Manager / Treasurer  
Phone Number: 812-752-8949  
Email: snauman@scsd2.k12.in.us

**Finding 2012-1, Allowable Costs**

In the future, Scott County School District 2 will not process any expenditure from the Twenty-First Century Community Learning Centers Grant which will cause a budget account to be over-expended without prior written approval from the Indiana Department of Education. This will help maintain a better internal control over this particular federal grant and therefore, provide reasonable assurance that the grant is being managed in compliance with the law.

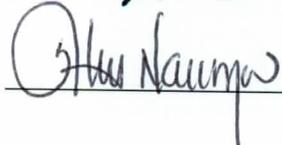
**Finding 2012-2, Allowable Costs**

Scott County School District 2 will update the agreement with the Scott County Partnership for 2012-13 Twenty-First Century Community Learning Centers Grant. In addition, we will review the current arrangement with the Partnership to determine as to whether the arrangement is a contract for services or a grantor/subrecipient relationship. This will help us maintain better control over this grant and therefore provide reasonable assurance that the grant is being managed in compliance with the law. This current grant will expire on May 31, 2013.

**Finding 2012-3, Procurement**

When purchasing equipment in the future, Scott County School District 2 will model the bid specifications using the "Competitive Bidding Requirements." If it is determined that the equipment will be considered a special purchase that applies only to one bidder, the corporation will obtain a written opinion from the school corporation attorney. The opinion will note the section of the Indiana Code 5-22-10 that would be applicable to a particular equipment purchase.

Submitted by:

Philip Deardorff, Superintendent

Steve Nauman, Treasurer

SCOTT COUNTY SCHOOL DISTRICT 2  
EXIT CONFERENCE

The contents of this report were discussed on February 25, 2013, with Dr. Philip Deardorff, Superintendent of Schools, Steve Nauman, Business Manager/Treasurer; and Jason Kendall, President of the School Board. The officials concurred with our audit findings.