

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 1
SCOTT COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
06/14/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathie E. Bowling	07-01-10 to 06-30-13
Superintendent of Schools	Berley Goodin	07-01-10 to 06-30-13
President of the School Board	Darlene Hall Kathy Morris Joie Bukowski Darlene Hall	07-01-10 to 06-30-11 07-01-11 to 06-30-12 07-01-12 to 12-31-12 01-01-13 to 12-31-13



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

We were engaged to audit the accompanying financial statement of the Scott County School District 1 (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.

The School Corporation did not properly maintain accounting records related to federal grant project funds. Financial activity recorded in a federal grant project fund should be limited to financial activity related to the approved project. However, financial activity related to federal grant project funds included financial activity derived from both local and federal sources and financial activity for multiple federal grant projects were accounted for in one federal grant project fund. The School Corporation's records do not permit the application of other auditing procedures to ascertain if the financial statement is fairly stated.

Since the School Corporation did not properly maintain accounting records to properly account for the financial activity associated with federal grant project funds and we were not able to apply other auditing procedures to satisfy ourselves as to whether the financial statement is fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial statement.

In accordance with Government Auditing Standards, we have also issued a report dated May 14, 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.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Because of the significance of the matters described in the second paragraph and because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

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 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 and, accordingly, we express no opinion on them.



Bruce Hartman
State Examiner

May 14, 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 1, SCOTT COUNTY, INDIANA

We were engaged to audit the financial statement of the Scott County School District 1 (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated May 14, 2013. Since the School Corporation did not properly maintain its accounting records and we were not able to apply other auditing procedures to satisfy ourselves as to whether the financial information is fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial information. We were unable to follow the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States due to the situation described above.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses, have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 and 2012-2 to be material weaknesses.

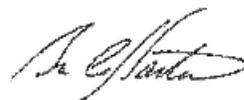
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

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 testing disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

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 it.

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.



Bruce Hartman
State Examiner

May 14, 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 1
 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	\$ 3,025,908	\$ 10,309,415	\$ 9,501,053	\$ (608,097)	\$ 3,226,173	\$ 10,018,847	\$ 9,902,358	\$ (287)	\$ 3,342,375
Debt Service	354,518	1,401,879	1,261,914	(1,868)	492,615	1,251,589	983,102	-	761,102
Retirement/Severance Bond Debt Service	37,877	217,432	159,430	-	95,879	139,747	160,846	-	74,780
Capital Projects	872,334	832,471	675,218	-	1,029,587	694,707	637,864	-	1,086,430
School Transportation	(64,649)	242,531	53,850	7,930	131,962	229,094	300,556	-	60,500
School Bus Replacement	58,613	16,111	-	-	74,724	11,039	84,091	-	1,672
Special Education Preschool	(37)	16,537	16,500	-	-	-	-	-	-
Rainy Day	700,000	-	-	300,000	1,000,000	-	-	-	1,000,000
Retirement/Severance Bond	218,369	-	-	-	218,369	-	197,786	-	20,583
School Lunch	188,084	660,292	619,519	-	228,857	642,700	718,297	-	153,260
Textbook Rental	(112,542)	113,826	47,647	1,868	(44,495)	120,768	182,713	-	(106,440)
Levy Excess	-	7,930	-	(7,930)	-	-	-	-	-
IU Southeast Partnership Fund	6,054	-	2,368	-	3,686	4,524	4,634	-	3,576
Educational License Plates	4,607	131	-	-	4,738	132	-	-	4,870
Walmart Teacher of Year McIntosh	272	-	-	-	272	-	-	-	272
Walmart Teacher of Year Atkins/Plasse	959	-	203	-	756	-	238	-	518
Community Foundation Grants	(121)	1,889	896	1,017	1,889	-	1,839	-	50
Project Gold Fund HS	1,403	-	-	(1,403)	-	-	-	-	-
Montgomery Science Fund	38	-	-	(38)	-	-	-	-	-
Box Top Fund AES	4,512	3,505	1,680	-	6,337	4,480	2,166	-	8,651
Kids First Fund	6,267	4,000	2,762	-	7,505	3,000	1,895	-	8,610
SSU "Candy Factory" Fund AMS	191	1,004	691	-	504	1,482	1,739	-	247
We Care Fund	-	24,538	24,538	-	-	30,793	30,793	-	-
Blessings In A Backpack	90	-	-	-	90	1,435	-	-	1,525
Gifted & Talented Fund 2004/05	-	30,542	30,441	-	101	29,315	11,420	(17,620)	376
Non-English Speaking Programs P.L. 273-1999	221	-	-	(221)	-	-	-	-	-
School Technology	2,789	1,850	2,361	-	2,278	5,096	-	-	7,374
Technology Grants [IC 20-40-15]	139	-	139	-	-	-	-	-	-
Graduation Performance Award	-	20,000	-	-	20,000	-	-	-	20,000
ECESC ADOL Literacy Grant	70	-	-	-	70	-	-	-	70
Scott Co Community Channel	7,433	-	11,969	32,874	28,338	-	35,418	9,701	2,621
Title I	17,342	-	-	(17,342)	-	-	-	-	-
Title I 2009-2010	107,050	-	131,279	24,229	-	-	-	-	-
Title I 2010-2011	-	412,628	433,524	(24,229)	(45,125)	45,124	152,289	54,445	(97,845)
Title I Fund 04-05	-	-	-	-	-	441,521	429,108	(54,445)	(42,032)
Sch Impr Grant Title I AES	1,776	-	-	(1,776)	-	-	-	-	-
Drug Free Schools	33,459	-	152	(33,307)	-	-	1,595	-	(1,595)
Drug Free Schools 2003	(52,228)	-	-	52,228	-	-	-	-	-
Title IVA Drug Free Schs 04	969	-	-	(969)	-	-	-	-	-
Drug Free Schools	(826)	-	-	826	-	-	-	-	-
Drug Free Schools 2006	(3,691)	-	-	3,691	-	-	-	-	-
21st Century L C Grant	-	223,979	259,504	-	(35,525)	245,425	248,820	-	(38,920)
Distance Learning Grant RUS	(500)	-	-	500	-	-	-	-	-
21st Century Comm Learn Ctr	(27,419)	501	23,905	50,823	-	-	-	-	-
ALC Dotation Fund	1,529	2,000	1,698	-	1,831	1,457	2,831	-	457
Class Size Reduction	575	-	-	(575)	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	(77,956)	121,794	124,992	67,059	(14,095)	113,796	95,329	18,337	22,709
ITQ, Enhanced Education Through Technology, Title II, Part D	72,719	-	56,169	(16,550)	-	-	-	-	-
Title II D 2005	(26,921)	-	-	26,921	-	-	-	-	-
Rural Schools and Low Income Program - Pass Through State	(16,809)	33,611	33,611	16,809	-	-	33,265	-	(33,265)
Title III, Language Instruction	1,984	11	-	-	1,995	-	1,310	-	685
Fiscal Stabilization - Education	(27,806)	-	-	27,806	-	-	-	-	-
ARRA Title I - Grants to LEAs	116,652	-	128,237	309	(11,276)	83,583	151,588	-	(79,281)
Education Jobs	-	326,077	488,142	162,065	-	-	2,446	-	(2,446)
Payroll	90,643	2,620,635	2,624,268	-	87,010	2,634,900	2,650,636	-	71,274
Totals	\$ 5,523,941	\$ 17,647,119	\$ 16,718,660	\$ 62,850	\$ 6,515,050	\$ 16,754,554	\$ 17,026,972	\$ 10,131	\$ 6,252,763

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

SCOTT COUNTY SCHOOL DISTRICT 1
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 1
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.

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.

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

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:

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.

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

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 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.

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.

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

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

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

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

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 funds with deficits in cash.

The Textbook Rental Fund has incurred a deficit cash balance because expenditures have historically exceeded receipts. The deficit cash balance is able to occur because the Textbook Rental Fund shares a common depository with other School Corporation funds.

Other funds with deficit balances are various federal grant funds set up for reimbursable grants. Cash deficit balances for these funds occurred because reimbursements for expenditures made by the School Corporation were not received by June 30 of the respective years from the grantor or program expenditures exceeded federal awards and the School Corporation has not reimbursed the grant funds from other available funds.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with Scott County 1998 School Building Corporation. The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ending June 30, 2011 and 2012, totaled \$525,000 and \$265,000, respectively.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Report 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 Report 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 1
 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	Special Education Preschool	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 3,025,908	\$ 354,518	\$ 37,877	\$ 872,334	\$ (64,649)	\$ 58,613	\$ (37)	\$ 700,000	\$ 218,369	\$ 188,084
Receipts:										
Local sources	254,287	1,368,114	186,342	832,471	242,531	16,111	16,537	-	-	161,586
Intermediate sources	1,047	-	-	-	-	-	-	-	-	-
State sources	10,054,081	33,765	31,090	-	-	-	-	-	-	2,284
Federal sources	-	-	-	-	-	-	-	-	-	496,422
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	10,309,415	1,401,879	217,432	832,471	242,531	16,111	16,537	-	-	660,292
Disbursements:										
Current:										
Instruction	6,058,580	-	-	-	-	-	16,500	-	-	-
Support services	3,275,637	-	-	579,208	53,850	-	-	-	-	-
Noninstructional services	166,836	-	-	-	-	-	-	-	-	619,519
Facilities acquisition and construction	-	-	-	96,010	-	-	-	-	-	-
Debt services	-	1,261,914	159,430	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	9,501,053	1,261,914	159,430	675,218	53,850	-	16,500	-	-	619,519
Excess (deficiency) of receipts over disbursements	808,362	139,965	58,002	157,253	188,681	16,111	37	-	-	40,773
Other financing sources (uses):										
Sale of capital assets	29,776	-	-	-	-	-	-	-	-	-
Transfers in	44,842	-	-	-	7,930	-	-	300,000	-	-
Transfers out	(682,715)	(1,868)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(608,097)	(1,868)	-	-	7,930	-	-	300,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	200,265	138,097	58,002	157,253	196,611	16,111	37	300,000	-	40,773
Cash and investments - ending	\$ 3,226,173	\$ 492,615	\$ 95,879	\$ 1,029,587	\$ 131,962	\$ 74,724	\$ -	\$ 1,000,000	\$ 218,369	\$ 228,857

SCOTT COUNTY SCHOOL DISTRICT 1
 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	IU Southeast Partnership Fund	Educational License Plates	Walmart Teacher of Year McIntosh	Walmart Teacher of Year Atkins/Plasse	Community Foundation Grants	Project Gold Fund HS	Montgomery Science Fund	Box Top Fund AES
Cash and investments - beginning	\$ (112,542)	\$ -	\$ 6,054	\$ 4,607	\$ 272	\$ 959	\$ (121)	\$ 1,403	\$ 38	\$ 4,512
Receipts:										
Local sources	47,665	-	-	-	-	-	1,889	-	-	3,505
Intermediate sources	-	-	-	131	-	-	-	-	-	-
State sources	66,161	7,930	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	113,826	7,930	-	131	-	-	1,889	-	-	3,505
Disbursements:										
Current:										
Instruction	-	-	2,368	-	-	203	896	-	-	1,680
Support services	47,647	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	47,647	-	2,368	-	-	203	896	-	-	1,680
Excess (deficiency) of receipts over disbursements	66,179	7,930	(2,368)	131	-	(203)	993	-	-	1,825
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	1,868	-	-	-	-	-	1,017	-	-	-
Transfers out	-	(7,930)	-	-	-	-	-	(1,403)	(38)	-
Total other financing sources (uses)	1,868	(7,930)	-	-	-	-	1,017	(1,403)	(38)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	68,047	-	(2,368)	131	-	(203)	2,010	(1,403)	(38)	1,825
Cash and investments - ending	\$ (44,495)	\$ -	\$ 3,686	\$ 4,738	\$ 272	\$ 756	\$ 1,889	\$ -	\$ -	\$ 6,337

SCOTT COUNTY SCHOOL DISTRICT 1
 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 Fund	SSU "Candy Factor" Fund AMS	We Care Fund	Blessings In A Backpack	Gifted & Talented Fund 2004/05	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Grants [IC 20-40-15]	Graduation Performance Award
Cash and investments - beginning	\$ 6,267	\$ 191	\$ -	\$ 90	\$ -	\$ 221	\$ 2,789	\$ 139	\$ -
Receipts:									
Local sources	4,000	1,004	24,538	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	30,542	-	1,850	-	20,000
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	4,000	1,004	24,538	-	30,542	-	1,850	-	20,000
Disbursements:									
Current:									
Instruction	-	691	-	-	30,441	-	-	-	-
Support services	2,698	-	-	-	-	-	2,361	139	-
Noninstructional services	64	-	24,538	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	2,762	691	24,538	-	30,441	-	2,361	139	-
Excess (deficiency) of receipts over disbursements	1,238	313	-	-	101	-	(511)	(139)	20,000
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(221)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(221)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,238	313	-	-	101	(221)	(511)	(139)	20,000
Cash and investments - ending	\$ 7,505	\$ 504	\$ -	\$ 90	\$ 101	\$ -	\$ 2,278	\$ -	\$ 20,000

SCOTT COUNTY SCHOOL DISTRICT 1
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	ECESC ADOL Literacy Grant	Scott Co Community Channel	Title I	Title I 2009-2010	Title I 2010-2011	Title I Fund 04-05	Sch Impr Grant Title I AES	Drug Free Schools	Drug Free Schools 2003
Cash and investments - beginning	\$ 70	\$ 7,433	\$ 17,342	\$ 107,050	\$ -	\$ -	\$ 1,776	\$ 33,459	\$ (52,228)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	412,628	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	412,628	-	-	-	-
Disbursements:									
Current:									
Instruction	-	5,769	-	119,632	392,210	-	-	-	-
Support services	-	6,200	-	11,647	41,314	-	-	152	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	11,969	-	131,279	433,524	-	-	152	-
Excess (deficiency) of receipts over disbursements	-	(11,969)	-	(131,279)	(20,896)	-	-	(152)	-
Other financing sources (uses):									
Sale of capital assets	-	32,874	-	-	-	-	-	-	-
Transfers in	-	-	-	24,229	-	-	-	-	85,686
Transfers out	-	-	(17,342)	-	(24,229)	-	(1,776)	(33,307)	(33,458)
Total other financing sources (uses)	-	32,874	(17,342)	24,229	(24,229)	-	(1,776)	(33,307)	52,228
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	20,905	(17,342)	(107,050)	(45,125)	-	(1,776)	(33,459)	52,228
Cash and investments - ending	\$ 70	\$ 28,338	\$ -	\$ -	\$ (45,125)	\$ -	\$ -	\$ -	\$ -

SCOTT COUNTY SCHOOL DISTRICT 1
 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 IVA Drug Free Schs 04	Drug Free Schools	Drug Free Schools 2006	21st Century LC Grant	Distance Learning Grant RUS	21st Century Comm Learn Ctr	ALC Donation Fund	Class Size Reduction	Improving Teaching Quality No Child Left Title II, Part A
Cash and investments - beginning	\$ 969	\$ (826)	\$ (3,691)	\$ -	\$ (500)	\$ (27,419)	\$ 1,529	\$ 575	\$ (77,956)
Receipts:									
Local sources	-	-	-	18,399	-	501	2,000	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	205,580	-	-	-	-	121,794
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	223,979	-	501	2,000	-	121,794
Disbursements:									
Current:									
Instruction	-	-	-	259,504	-	23,905	1,698	-	124,992
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	259,504	-	23,905	1,698	-	124,992
Excess (deficiency) of receipts over disbursements	-	-	-	(35,525)	-	(23,404)	302	-	(3,198)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	826	3,691	-	500	50,823	-	-	67,059
Transfers out	(969)	-	-	-	-	-	-	(575)	-
Total other financing sources (uses)	(969)	826	3,691	-	500	50,823	-	(575)	67,059
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(969)	826	3,691	(35,525)	500	27,419	302	(575)	63,861
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (35,525)	\$ -	\$ -	\$ 1,831	\$ -	\$ (14,095)

SCOTT COUNTY SCHOOL DISTRICT 1
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	ITQ Enhanced Education Through Technology Title II, Part D	Title II D 2005	Rural Schools and Low Income Program - Pass Through State	Title III Language Instruction	Fiscal Stabilization Education	ARRA Title I - Grants to LEAs	Education Jobs	Payroll	Totals
Cash and investments - beginning	\$ 72,719	\$ (26,921)	\$ (16,809)	\$ 1,984	\$ (27,806)	\$ 116,652	\$ -	\$ 90,643	\$ 5,523,941
Receipts:									
Local sources	-	-	-	-	-	-	-	-	3,181,480
Intermediate sources	-	-	-	11	-	-	-	-	1,189
State sources	-	-	-	-	-	-	-	-	10,247,703
Federal sources	-	-	33,611	-	-	-	326,077	-	1,596,112
Other	-	-	-	-	-	-	-	2,620,635	2,620,635
Total receipts	-	-	33,611	11	-	-	326,077	2,620,635	17,647,119
Disbursements:									
Current:									
Instruction	56,169	-	-	-	-	128,237	488,142	-	7,711,617
Support services	-	-	-	-	-	-	-	-	4,020,853
Noninstructional services	-	-	-	-	-	-	-	-	810,957
Facilities acquisition and construction	-	-	33,611	-	-	-	-	-	129,621
Debt services	-	-	-	-	-	-	-	-	1,421,344
Nonprogrammed charges	-	-	-	-	-	-	-	2,624,268	2,624,268
Total disbursements	56,169	-	33,611	-	-	128,237	488,142	2,624,268	16,718,660
Excess (deficiency) of receipts over disbursements	(56,169)	-	-	11	-	(128,237)	(162,065)	(3,633)	928,459
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	62,650
Transfers in	-	26,921	16,809	-	27,806	309	162,065	-	822,381
Transfers out	(16,550)	-	-	-	-	-	-	-	(822,381)
Total other financing sources (uses)	(16,550)	26,921	16,809	-	27,806	309	162,065	-	62,650
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(72,719)	26,921	16,809	11	27,806	(127,928)	-	(3,633)	991,109
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 1,995	\$ -	\$ (11,276)	\$ -	\$ 87,010	\$ 6,515,050

SCOTT COUNTY SCHOOL DISTRICT 1
 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	Special Education Preschool	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 3,226,173	\$ 492,615	\$ 95,879	\$ 1,029,587	\$ 131,962	\$ 74,724	\$ -	\$ 1,000,000	\$ 218,369	\$ 228,857
Receipts:										
Local sources	189,271	1,251,589	139,747	694,707	224,654	11,039	-	-	-	164,698
Intermediate sources	2	-	-	-	-	-	-	-	-	-
State sources	9,829,574	-	-	-	-	-	-	-	-	1,963
Federal sources	-	-	-	-	-	-	-	-	-	476,039
Other	-	-	-	-	4,440	-	-	-	-	-
Total receipts	10,018,847	1,251,589	139,747	694,707	229,094	11,039	-	-	-	642,700
Disbursements:										
Current:										
Instruction	6,536,438	-	-	-	-	-	-	-	-	-
Support services	3,201,985	-	-	517,471	300,556	84,091	-	-	197,786	103
Noninstructional services	163,935	-	-	-	-	-	-	-	-	718,194
Facilities acquisition and construction	-	-	-	120,393	-	-	-	-	-	-
Debt services	-	983,102	160,846	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	9,902,358	983,102	160,846	637,864	300,556	84,091	-	-	197,786	718,297
Excess (deficiency) of receipts over disbursements	116,489	268,487	(21,099)	56,843	(71,462)	(73,052)	-	-	(197,786)	(75,597)
Other financing sources (uses):										
Sale of capital assets	430	-	-	-	-	-	-	-	-	-
Transfers in	17,620	-	-	-	-	-	-	-	-	-
Transfers out	(18,337)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(287)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	116,202	268,487	(21,099)	56,843	(71,462)	(73,052)	-	-	(197,786)	(75,597)
Cash and investments - ending	\$ 3,342,375	\$ 761,102	\$ 74,780	\$ 1,086,430	\$ 60,500	\$ 1,672	\$ -	\$ 1,000,000	\$ 20,583	\$ 153,260

SCOTT COUNTY SCHOOL DISTRICT 1
 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	IU Southeast Partnership Fund	Educational License Plates	Walmart Teacher of Year McIntosh	Walmart Teacher of Year Atkins/Plasse	Community Foundation Grants	Project Gold Fund HS	Montgomery Science Fund	Box Top Fund AES
Cash and investments - beginning	\$ (44,495)	\$ -	\$ 3,686	\$ 4,738	\$ 272	\$ 756	\$ 1,889	\$ -	\$ -	\$ 6,337
Receipts:										
Local sources	47,823	-	-	-	-	-	-	-	-	4,480
Intermediate sources	-	-	-	132	-	-	-	-	-	-
State sources	72,945	-	4,524	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	120,768	-	4,524	132	-	-	-	-	-	4,480
Disbursements:										
Current:										
Instruction	-	-	2,434	-	-	238	1,839	-	-	2,166
Support services	182,713	-	2,200	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	182,713	-	4,634	-	-	238	1,839	-	-	2,166
Excess (deficiency) of receipts over disbursements	(61,945)	-	(110)	132	-	(238)	(1,839)	-	-	2,314
Other financing sources (uses):										
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	(61,945)	-	(110)	132	-	(238)	(1,839)	-	-	2,314
Cash and investments - ending	\$ (106,440)	\$ -	\$ 3,576	\$ 4,870	\$ 272	\$ 518	\$ 50	\$ -	\$ -	\$ 8,651

SCOTT COUNTY SCHOOL DISTRICT 1
 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 Fund	SSU "Candy Factor" Fund AMS	We Care Fund	Blessings In A Backpack	Gifted & Talented Fund 2004/05	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Grants [IC 20-40-15]	Graduation Performance Award
Cash and investments - beginning	\$ 7,505	\$ 504	\$ -	\$ 90	\$ 101	\$ -	\$ 2,278	\$ -	\$ 20,000
Receipts:									
Local sources	3,000	1,482	30,793	1,435	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	29,315	-	5,096	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	3,000	1,482	30,793	1,435	29,315	-	5,096	-	-
Disbursements:									
Current:									
Instruction	-	1,739	-	-	11,420	-	-	-	-
Support services	98	-	-	-	-	-	-	-	-
Noninstructional services	1,797	-	30,793	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,895	1,739	30,793	-	11,420	-	-	-	-
Excess (deficiency) of receipts over disbursements	1,105	(257)	-	1,435	17,895	-	5,096	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(17,620)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(17,620)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,105	(257)	-	1,435	275	-	5,096	-	-
Cash and investments - ending	\$ 8,610	\$ 247	\$ -	\$ 1,525	\$ 376	\$ -	\$ 7,374	\$ -	\$ 20,000

SCOTT COUNTY SCHOOL DISTRICT 1
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	ECESC ADOL Literacy Grant	Scott Co Community Channel	Title I	Title I 2009-2010	Title I 2010-2011	Title I Fund 04-05	Sch Impr Grant Title I AES	Drug Free Schools	Drug Free Schools 2003
Cash and investments - beginning	\$ 70	\$ 28,338	\$ -	\$ -	\$ (45,125)	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	45,124	441,521	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	45,124	441,521	-	-	-
Disbursements:									
Current:									
Instruction	-	26,415	-	-	118,250	385,708	-	-	-
Support services	-	9,003	-	-	34,039	43,400	-	1,595	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	35,418	-	-	152,289	429,108	-	1,595	-
Excess (deficiency) of receipts over disbursements	-	(35,418)	-	-	(107,165)	12,413	-	(1,595)	-
Other financing sources (uses):									
Sale of capital assets	-	9,701	-	-	-	-	-	-	-
Transfers in	-	-	-	-	87,332	32,887	-	-	-
Transfers out	-	-	-	-	(32,887)	(87,332)	-	-	-
Total other financing sources (uses)	-	9,701	-	-	54,445	(54,445)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(25,717)	-	-	(52,720)	(42,032)	-	(1,595)	-
Cash and investments - ending	\$ 70	\$ 2,621	\$ -	\$ -	\$ (97,845)	\$ (42,032)	\$ -	\$ (1,595)	\$ -

SCOTT COUNTY SCHOOL DISTRICT 1
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Title IVA Drug Free Schs 04	Drug Free Schools	Drug Free Schools 2006	21st Century LC Grant	Distance Learning Grant RUS	21st Century Comm Learn Ctr	ALC Donation Fund	Class Size Reduction	Improving Teaching Quality No Child Left Title II, Part A
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (35,525)	\$ -	\$ -	\$ 1,831	\$ -	\$ (14,095)
Receipts:									
Local sources	-	-	-	-	-	-	1,457	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	245,425	-	-	-	-	113,796
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	245,425	-	-	1,457	-	113,796
Disbursements:									
Current:									
Instruction	-	-	-	248,820	-	-	2,831	-	95,329
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	248,820	-	-	2,831	-	95,329
Excess (deficiency) of receipts over disbursements	-	-	-	(3,395)	-	-	(1,374)	-	18,467
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	18,337
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	18,337
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(3,395)	-	-	(1,374)	-	36,804
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (38,920)	\$ -	\$ -	\$ 457	\$ -	\$ 22,709

SCOTT COUNTY SCHOOL DISTRICT 1
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	ITQ Enhanced Education Through Technology Title II, Part D	Title II D 2005	Rural Schools and Low Income Program - Pass Through State	Title III Language Instruction	Fiscal Stabilization Education	ARRA Title I - Grants to LEAs	Education Jobs	Payroll	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 1,995	\$ -	\$ (11,276)	\$ -	\$ 87,010	\$ 6,515,050
Receipts:									
Local sources	-	-	-	-	-	-	-	-	2,766,175
Intermediate sources	-	-	-	-	-	-	-	-	134
State sources	-	-	-	-	-	-	-	-	9,943,417
Federal sources	-	-	-	-	-	83,583	-	-	1,405,488
Other	-	-	-	-	-	-	-	2,634,900	2,639,340
Total receipts	-	-	-	-	-	83,583	-	2,634,900	16,754,554
Disbursements:									
Current:									
Instruction	-	-	-	-	-	146,088	2,446	-	7,582,161
Support services	-	-	-	1,310	-	5,500	-	-	4,581,850
Noninstructional services	-	-	-	-	-	-	-	-	914,719
Facilities acquisition and construction	-	-	33,265	-	-	-	-	-	153,658
Debt services	-	-	-	-	-	-	-	-	1,143,948
Nonprogrammed charges	-	-	-	-	-	-	-	2,650,636	2,650,636
Total disbursements	-	-	33,265	1,310	-	151,588	2,446	2,650,636	17,026,972
Excess (deficiency) of receipts over disbursements	-	-	(33,265)	(1,310)	-	(68,005)	(2,446)	(15,736)	(272,418)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	10,131
Transfers in	-	-	-	-	-	-	-	-	156,176
Transfers out	-	-	-	-	-	-	-	-	(156,176)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	10,131
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(33,265)	(1,310)	-	(68,005)	(2,446)	(15,736)	(262,287)
Cash and investments - ending	\$ -	\$ -	\$ (33,265)	\$ 685	\$ -	\$ (79,281)	\$ (2,446)	\$ 71,274	\$ 6,252,763

SCOTT COUNTY SCHOOL DISTRICT 1
SCHEDULE OF LEASES AND DEBT
JUNE 30, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Scott Co 1998 Sch Bldg Corp	HS/MS Project	\$ 548,000	07-05-05	01-05-23

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
State of Indiana Common School Loan A0441	HS/MS Project	\$ 2,513,523	\$ 284,505
State of Indiana Common School Loan A0444	HS/MS Project	3,394,350	392,472
State of Indiana Veterans Memorial Loan	HS/MS Project	65,000	10,650
Guaranteed Energy Savings	HS/MS Project	198,856	61,984
Indiana Bond Bank Pension Debt	SB199 Pension Debt	<u>1,405,000</u>	<u>157,023</u>
Totals		<u>\$ 7,576,729</u>	<u>\$ 906,633</u>

SCOTT COUNTY SCHOOL DISTRICT 1
 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.

	Ending Balance
Governmental activities:	
Land	\$ 972,000
Buildings	45,590,577
Machinery, equipment and vehicles	2,228,101
Books and other	2,000,000
Total capital assets	\$ 50,790,678

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) are to be reported by individual federal project since each federal project has a separate and distinct purpose based on the grant agreement and/or the project budget approved by the grantor. The School Corporation is required to use fund accounting to account for project receipts and expenditures. A separate fund should be established for each federal project and the fund should reflect only the financial activity for a particular federal project.

The following problems were identified with the financial activity of federal projects in the School Corporation's financial records which resulted in a lack of controls to properly monitor and report financial activity associated with federal projects:

1. Financial activity associated with federal projects was not properly recorded in the financial records. A review of financial activity recorded in the various funds established to record federal project activity showed a commingling of financial activity within a single fund consisting of monies being transferred between federal project funds; monies transferred from federal project funds to non-federal (local) funds; and monies transferred from local funds to federal funds.

Numerous transfers were attributed to the School Corporation recording expenditures in excess of the federal award amounts resulting in a deficit cash balance for various federal project funds. The School Corporation would then transfer monies from other funds (local or other federal project funds) to eliminate the deficit balance. The transfers would often times be made in the subsequent school year and there was no documentation presented for audit identifying the specific expenditures that were being reimbursed by the transfer.

2. A separate federal project fund should be established for each project year. However, there were instances of financial activity for multiple federal project years being recorded in one federal project fund without making a distinction of which costs were associated with a particular federal project year.

As a result of the commingling of monies from local and federal sources and commingling of multiple projects in one fund, proper reporting of financial activity associated with federal monies for each project could not be determined. Failure to maintain financial records to properly account for federal project financial activity and because federal project financial activity represents a substantial proportion of the School Corporation's financial statement, the financial statement and SEFA in the Independent Auditor's Report was disclaimed.

The School Corporation officials stated that monies awarded for the federal projects are not sufficient to cover the costs of operating the program. As a result, the School Corporation continues to record costs associated with the federal project in the federal project fund and if the total costs exceed the amount allowed for the federal project, the excess costs are covered by transferring monies from local sources, such as the General Fund, to the federal project fund. School Corporation officials stated that, because costs associated with project are in excess of federal awards received that, the total overall costs charged to the federal project fund are in compliance with the purpose of the individual federal projects.

In regards to the transfer of funds established for one project year to a subsequent project year and in regards to multiple federal projects being accounted for in one federal project fund, School Corporation officials stated that grant activities approved from one project year to the next project year do not change significantly to materially affect the overall compliance with the purpose of the individual federal projects.

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

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)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ACCOUNTING FOR PREPAID MEALS

A review of the financial practices for the school lunch program identified the following deficiencies:

1. Financial activity pertaining to the school lunch program was not properly recorded and reconciled in the financial records. The School Corporation recorded prepayments on account from students and staff as cash sales in the School Lunch Fund. Unused prepayment balances were included in the School Lunch Fund balance instead of being recognized as monies being held in a separate fund as prescribed. Failure to properly record the financial activity for the prepaid meals resulted in the School Lunch Fund balance being overstated in the amounts of \$6,379 and \$6,883 at June 30, 2011 and 2012, respectively.

Clearing account number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 and 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by students). Subsidiary records by student should be routinely reconciled to the cash balance at month end. (The School Administrator and Uniform Compliance Guidelines, Volume 183, September 2008)

2. The School Board did not have a formal collection policy for student accounts with a deficit account balance.

The School Corporation had someone review, daily, the student account list for elementary students who had a deficit account balance and they contacted the parents of the students to deposit money into the student's account. The middle and high school student accounts were not reviewed daily.

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

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

3. The School Board did not establish a policy to write off student accounts that were deemed uncollectible.

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)

PAYROLL WITHHOLDING ACCOUNTS

The School Corporation's Payroll Fund included various payroll withholding accounts. The School Corporation did not have controls in place to reconcile the balances of its various payroll withholding accounts with supporting records. As a result of not performing reconciliation procedures, there were a number of withholding accounts that incorrectly reported deficit balances at year end or had a balance reported at year end when no amounts were actually owed. The following schedule shows the balance of the payroll withholding accounts at year end:

<u>Payroll Withholding Accounts</u>	<u>Balance</u> <u>06-30-11</u>	<u>Balance</u> <u>06-30-12</u>
Federal Tax Withholding	\$ 1,765	\$ 1,765
Social Security Withholding	(18,363)	(18,363)
State Tax Withholding	17,743	17,743
County Tax Withholding	(66)	(66)
Teacher Retirement Withholding	1,763	1,527
Public Employees' Retirement WH	8	(10,957)
Group Insurance Withholding	82,073	77,703
Annuities Withholding	(29)	(29)
IRS Levy Withholding	1,469	1,469
AFLAC/Flex One	435	(224)
Corp Bus Use	218	218
United Way Withholding	3	3
Meals Withholding	(9)	(9)
Calvert Dist Refund	-	494
	<u> </u>	<u> </u>
Totals	<u>\$ 87,010</u>	<u>\$ 71,274</u>

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

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 managements' 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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn at June 30:

Fund	Balance 06-30-11	Balance 06-30-12
Textbook Rental	\$ (44,495)	\$ (106,440)
Title I 2010-2011		(97,845)
Drug Free Schools		(1,595)
21st Century LC Grant		(38,920)
Rural Schools and Low Income Program - Pass Through State		(33,265)
ARRA Title I - Grants to LEA		(79,281)

Other funds were identified on the School Corporation's records as having overdrawn cash balances at June 30; however, the financial activity associated with these funds represented financial activity associated with grants for which the School Corporation will subsequently be reimbursed with federal grant money.

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

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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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 1, SCOTT COUNTY, INDIANA

Compliance

We were engaged to audit the Scott County School District 1's (School Corporation) compliance with 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 the Title I, Part A Cluster; Twenty First Century Community Learning Centers Grant; and the Education Jobs Fund Grant. We have audited the Scott County School District 1'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 the Child Nutrition Cluster 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.

Except as discussed in the following paragraph, 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 items 2012-4, 2012-5, 2012-7, and 2012-8 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation to support compliance of the School Corporation with the Title I, Part A Cluster regarding allowable activities, allowable costs, equipment and real property management period of availability, level of effort and earmarking, reporting (including ARRA reporting), and special tests and provisions; the Twenty First Century Community Learning Centers Grant regarding allowable activities, allowable costs, equipment and real property management period of availability, level of effort, reporting, and special tests and provisions; and the Education Jobs Fund Grant regarding allowable activities, allowable costs, level of effort, and reporting (including ARRA reporting) nor were we able to satisfy ourselves as to the School Corporation's compliance with those requirements by apply other auditing procedures.

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)

Since the School Corporation did not provide sufficient documentation to allow us to determine compliance with the compliance requirements noted in the preceding paragraph and we were not able to apply other auditing procedures to satisfy ourselves as to the School Corporation's compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express an opinion as to the School Corporation's compliance with the requirements referred to above that could have a direct and material effect on the Title I, Part A Cluster; Twenty First Century Community Learning Centers Grant; and the Education Jobs Fund Grant for the period of July 1, 2010 to June 30, 2012.

In our opinion, except for the scope limitation listed above, 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 program for the period of July 1, 2010 to June 30, 2012. However the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-3.

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 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 2012-3, 2012-4, 2012-5, 2012-6, 2012-7, 2012-8, and 2012-9 to be material weaknesses.

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)

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 it.

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.



Bruce Hartman
State Examiner

May 14, 2013

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 1
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
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 11 FY 12	\$ 120,126 -	\$ - 118,107
Total for program			<u>120,126</u>	<u>118,107</u>
National School Lunch Program	10.555	FY 11 FY 12	394,342 -	- 387,870
Total for program			<u>394,342</u>	<u>387,870</u>
Summer Food Service Program for Children	10.559	FY 11 FY 12	13,440 -	- 11,323
Total for program			<u>13,440</u>	<u>11,323</u>
Total for cluster			<u>527,908</u>	<u>517,300</u>
Total for federal grantor agency			<u>527,908</u>	<u>517,300</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	09-7230 10-7230 11-7230 FY 11 12-7230	1,776 131,280 412,628 17,342 -	- - 75,427 - 411,218
Total for program			<u>563,026</u>	<u>486,645</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 11	128,237	83,583
Total for program			<u>128,237</u>	<u>83,583</u>
Total for cluster			<u>691,263</u>	<u>570,228</u>
Education Technology State Grants Cluster				
Educational Technology State Grants	84.318	11-7230	72,719	-
Total for cluster			<u>72,719</u>	<u>-</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 11	6,589	-
Twenty First Century Community Learning Centers	84.287	FY 11 FY 12	223,978 -	- 245,425
Total for program			<u>223,978</u>	<u>245,425</u>
Rural Education	84.358	11-7230	33,611	-
Improving Teacher Quality State Grants	84.367	11-7230	122,369	113,796
Education Jobs Fund	84.410	11-7230	326,077	-
Total for federal grantor agency			<u>1,476,606</u>	<u>929,449</u>
Total federal awards expended			<u>\$ 2,004,514</u>	<u>\$ 1,446,749</u>

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

SCOTT COUNTY SCHOOL DISTRICT 1
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 1 (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
National School Lunch Program	10.555	\$ 29,746	\$ 40,692

SCOTT COUNTY SCHOOL DISTRICT 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Disclaimer
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Disclaimer for all major programs except the Child Nutrition Cluster, which was Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster Title I, Part A Cluster
84.287	Twenty First Century Community Learning Centers
84.410	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

FINDING 2012-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING OF FEDERAL AWARDS

Expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) are to be reported by individual federal project since each federal project has a separate and distinct purpose based on the grant agreement and/or the project budget approved by the grantor. The School Corporation is required to use fund accounting to account for project receipts and expenditures. A separate fund should be established for each federal project and the fund should reflect only the financial activity for a particular federal project.

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

The following problems were identified with the financial activity of federal projects in the School Corporation's financial records which resulted in a lack of controls to properly monitor and report financial activity associated with federal projects:

1. Financial activity associated with federal projects was not properly recorded in the financial records. A review of financial activity recorded in the various funds established to record federal project activity showed a commingling of financial activity within a single fund consisting of monies being transferred between federal project funds; monies transferred from federal project funds to non-federal (local) funds; and monies transferred from local funds to federal funds.

Numerous transfers were attributed to the School Corporation recording expenditures in excess of the federal award amounts resulting in a deficit cash balance for various federal project funds. The School Corporation would then transfer monies from other funds (local or other federal project funds) to eliminate the deficit balance. The transfers would often times be made in the subsequent school year and there was no documentation presented for audit identifying the specific expenditures that were being reimbursed by the transfer.

2. A separate federal project fund should be established for each project year. However, there were instances of financial activity for multiple federal project years being recorded in one federal project fund without making a distinction of which costs were associated with a particular federal project year.

As a result of the commingling of monies from local and federal sources and commingling of multiple projects in one fund, properly reporting of financial activity associated with federal monies for each project could not be determined. Failure to maintain financial records to properly account for federal project financial activity and because federal project financial activity represents a substantial proportion of the School Corporation's financial statement, the financial statement and SEFA in the Independent Auditor's Report was disclaimed.

The School Corporation officials stated that monies awarded for the federal projects are not sufficient to cover the costs of operating the program. As a result, the School Corporation continues to record costs associated with the federal project in the federal project fund and if the total costs exceed the amount allowed for the federal project, the excess costs are covered by transferring monies from local sources, such as the General Fund, to the federal project fund. School Corporation officials stated that, because costs associated with project are in excess of federal awards received that, the total overall costs charged to the federal project fund are in compliance with the purpose of the individual federal projects.

In regards to the transfer of funds established for one project year to a subsequent project year and in regards to multiple federal projects being accounted for in one federal project fund, School Corporation officials stated that grant activities approved from one project year to the next project year do not change significantly to materially affect the overall compliance with the purpose of the individual federal projects.

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

"The auditee shall:

- a. Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received . . .

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

- c. Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs."

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 managements' 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)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended that the School Corporation implement internal controls to provide reasonable assurance that federal project funds include only the financial activity related to the specific federal project for which the fund was established.

FINDING 2012-2, INTERNAL CONTROLS OVER FINANCIAL REPORTING FOR PAYROLL WITHHOLDING ACCOUNTS

The School Corporation's Payroll Fund includes various payroll withholding accounts. The School Corporation did not have controls in place to reconcile the balances of its various payroll withholding accounts with supporting records. As a result of not performing reconciliation procedures, there were a number of withholding accounts that incorrectly reported deficit balances at year end or had a balance reported at year end when no amounts were actually owed.

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 managements' 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)

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We recommended the School Corporation implement procedures to reconcile the withholding accounts with the supporting records on a regular basis. Financial activity of the withholding accounts should be reviewed to determine the correct balances with adjustments being made to the financial records, upon School Board approval, to correct the financial records.

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-3, SPECIAL TESTS AND PROVISIONS - CHILD NUTRITION CLUSTER

Federal Agency: U.S. Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program, and
Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, and 10.559

Federal Award Number: FY 11 and FY 12

Pass-Through Entity: Indiana Department of Education

Instructions are provided to School Corporations by the Indiana Department of Education regarding how to account for the financial activity associated with the school nutrition program. The following problems were identified with the recording of the financial activity associated with this program:

1. Financial transactions associated with the school nutrition program were not properly recorded in the School Corporation's financial records. Monies received for the prepayment of meals were being recorded in the School Lunch Fund at the time the monies were received instead of being recorded in a separate fund, as required, until the monies were actually used for the purchase of meals. As a result of not following the financial management accounting practices as required by the Indiana Department of Education, the cash balance of the School Lunch Fund shown on the financial records incorrectly included monies being held for the prepayment of meals in the amount of \$6,378 and \$6,883 at June 30, 2011 and 2012, respectively. This in turn resulted in the cash balances for the School Lunch Fund and Prepaid Meals as reported on the school lunch program annual financial report to differ from the actual balances shown on the School Corporation's financial records. The cash balance for the School Lunch Fund as reported on the annual school lunch program financial report was required to be reduced by the amount of prepaid monies being held at June 30, 2011 and 2012. The cash balance reported on the annual school lunch program financial report for the prepaid meals was not associated with any dollar amount readily identified on the School Corporation's financial ledger as the School Corporation did not separately and properly record this financial activity.
2. As a result of not following the financial accounting instructions provided by the Indiana Department of Education, the income receipt categories as reported in the School Corporation's financial records and on the annual school lunch financial report were not reflective of the actual different meal types purchased. Although the overall total receipt amounts reported in the financial records and on the annual school lunch financial report were materially correct, the individual breakdown of income categories of the different meal types purchased were not supported by the actual activity that occurred as reported in the subsidiary information obtain from the student meal program system. Income for the various income categories, breakfast sale, lunch sales, ala carte sales, etc., were recorded in the financial records using a prorated percentage based upon the actual meals purchased in the previous school year multiplied by the total prepaid monies collected instead of the actual meal purchases during the current year.

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Instructions provided by the Indiana Department of Education, General Instructions: Annual Financial Report, January 2009, requires financial activity associated with the school nutrition program to be identified as to which program it belongs and to be considered income only at the time of the purchase.

7 CFR Part 3016.20(b) (Standards for Financial Management Systems) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities . . ."

OMB Circular A133 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."

We recommended that the School Corporation modify their financial management system so the accounting records properly reflect income in the school lunch fund based upon when the meals are actually provide and that the financial activity is recorded to the proper income category based upon the actual meals provided. A separate fund should be established to account for monies associated with prepaid meals. The balance in the prepaid meal fund should be reconciled monthly with the supporting student subsidiary records.

FINDING 2012-4, FINANCIAL ACCOUNTABILITY - TWENTY FIRST CENTURY COMMUNITY LEARNING CENTERS

Federal Agency: U.S. Department of Education
Federal Program: Twenty First Century Community Learning Centers
CFDA Number: 84.287
Federal Award Number: FY 11 and FY12
Pass-through Entity: Indiana Department of Education

The School Corporation uses fund accounting to account for federal project award receipts and expenditures. A separate fund should be established for each project award and the fund should reflect only the financial activity for a particular federal project.

The School Corporation did not have controls in place to properly monitor financial activity related to federal projects as described below:

1. Financial activity associated with federal projects was not properly recorded in the financial records. A separate federal project fund was not established for each project year. Multiple federal project years were being recorded in one fund without making a distinction of which costs were associated with a particular federal project year.

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(Continued)

2. In addition to commingling financial activity among projects, monies from non-federal (local) funds were also commingled. Monies from local funds would be transferred into the federal project funds.

Transfers were attributed to the School Corporation recording expenditures in excess of the federal award amounts resulting in a deficit cash balance for the federal project funds. The School Corporation would then transfer monies from other local funds to eliminate the deficit balance. The transfers would often times be made in the subsequent school year and there was no documentation presented for audit identifying the specific expenditures that were being reimbursed by the transfer.

The above accounting for federal projects affects the School Corporation's ability to effectively monitor compliance with requirements for the individual federal project within a federal program. As a result of monies from local sources and multiple grant project years being commingling, we were unable to test compliance with the following grant program requirements:

1. **Activities Allowed and Allowable Costs:** A test of compliance of activities allowed and allowable costs could not be performed, as we were unable to determine which expenditures were associated with each project year in order to determine that the expenditures were in compliance with that project year's budgeted activities, as approved by the pass-through entity, and to distinguish which costs were paid from local sources. If unallowable costs or activities were to be identified, we would not be able to readily determine if federal monies were associated with the costs.

As a result of the above, costs associated with the Twenty First Century Community Learning Centers in the amount of \$469,403 were considered to be questioned costs.

2. **Period of Availability:** Compliance testing for period of availability could not be performed, as we were unable to determine which expenditures were associated with a particular project year in order to determine if the costs were incurred within the allowable time period established in the grant agreement for the project year.
3. **Level of Effort:** A test of compliance for level of effort could not be performed due to the commingling of financial activity associated with federal funds and local sources. The financial records incorrectly identified monies associated with local sources as being used for federal programs thus understating expenditures made from local (funds) sources and inflating expenditures related to federal funds.
4. **Reporting:** Testing of compliance with reporting could not be performed, as we were unable to identify the financial activity associated with each project year to determine that the total project costs as reported to the pass-through entity were accurate. Furthermore, expenditures were made from federal project funds in excess of the federal project award amounts making it impractical to determine financial activity associated with a particular project year for the federal program as a whole.
5. **Special Tests and Provisions – Budget Modification Approval:** The agreement with the pass-through entity established a budget for allowable costs and activities under the grant project and required approval for any line item budget modifications. Testing of compliance with the grant approved budget and approval of budget modifications could not be performed, as we were unable to distinguish which costs were associated with which project year budget and which costs were associated with the federal funds versus local sources.

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Although we could not adequately determine total project costs for verification of financial reporting and monitoring of budget compliance requirements, we noted that the total project costs as reported on the final grant project financial report to the pass-through entity showed expenditures in excess of the grant project approved budget and there was no documentation in files to indicate budget modification approval was obtained from the pass-through entity.

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, nor shall the Project costs funded by the Grant Agreement and those funded by the local and/or private share be amended without the prior written consent of the State."

34 CFR 80.20 states in part:

"(a) . . . Fiscal control and account procedures of the State, as well as its subgrantees . . . must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- (3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash . . . and must assure that it is used solely for authorized purposes.
- (4) *Budget control.* Actual expenditures or outlays must be compared with budgeted . . .
- (5) *Allowable cost.* Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

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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 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."

The School Corporation officials stated that monies awarded for the federal projects are not sufficient to cover the costs of operating the program. As a result, the School Corporation continues to record costs associated with the federal project in the federal project fund and if the total costs exceed the amount allowed for the federal project, the excess costs are covered by transferring monies from local sources, such as the General Fund, to the federal project fund or attribute the excess cost to a subsequent grant project year. School Corporation officials stated that, because costs associated with project are in excess of federal awards received that, the total overall costs charged to the federal project fund are in compliance with the purpose of the individual federal projects.

We recommended the School Corporation establish separate funds for each grant project in order to properly account for the activity associated with each project. The financial activity for each grant project year should be monitored in order to determine expenditures and activities are in compliance with the approved federal grant budget or any modification of budget amounts are approved by the pass-through entity. Any costs in excess of the grant award budget amounts should be paid from funds established for local sources. Controls should be established to ensure compliance with grant program requirements. If the School Corporation wishes to consolidate monies for the operation of the federal program, approval and guidance should be obtained from the pass-through entity.

FINDING 2012-5, FINANCIAL ACCOUNTABILITY- TITLE I, PART A CLUSTER

Federal Agency: U.S. Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010 and 84.389
Federal Award Number: 09-7230, 10-7230, 11-7230, 12-7230, FY11
Pass-through Entity: Indiana Department of Education

The School Corporation uses fund accounting to account for project receipts and expenditures. A separate fund should be established for each project and the fund should reflect only the financial activity for a particular federal project.

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The School Corporation did not have controls in place to properly monitor financial activity related to federal projects as described below:

1. Financial activity associated with federal projects was not properly recorded in the financial records. A review of financial activity recorded in the various funds established to record federal grant projects activity showed a commingling of financial activity within a single fund consisting of monies being transferred between federal project funds; monies transferred from federal fund projects to non-federal (local) funds; and monies transferred from local funds to federal funds.

Numerous transfers were attributed to the School Corporation recording expenditures in excess of the federal award amounts resulting in a deficit cash balance for various federal project funds. The School Corporation would then transfer monies from other funds (local or other federal project funds) to eliminate the deficit balance. The transfers would often times be made in the subsequent school year and there was no documentation presented for audit identifying the specific expenditures that were being reimbursed by the transfer.

2. A separate federal project fund should be established for each project year. However, there were instances of financial activity for multiple federal project years being recorded in one federal project fund without making a distinction of which costs were associated with a particular federal project year.
3. Transfers between federal project funds were not approved by the pass-through agency. Accordingly, it was not possible to determine whether monies transferred to another federal project were used for allowable activities.

The above accounting for federal projects also affects the School Corporation's ability to effectively monitor compliance with requirements for the individual federal project within a federal program. As a result of monies from local sources and multiple grant project years being commingling, we were unable to test compliance with the following grant program requirements:

1. **Activities Allowed and Allowable Costs:** A test of compliance of activities allowed and allowable costs could not be performed, as we were unable to determine which expenditures were associated with each project year in order to determine that the expenditures were in compliance with that project year's budgeted activities as approved by the pass-through entity and to distinguish which costs were paid from local sources. If unallowable costs or activities were to be identified, we would not be able to readily determine if federal monies were associated with the costs.

As a result of the above, costs associated with the Title I, Part A Cluster in the amount of \$1,261,491 were considered to be questioned costs.

2. **Period of Availability:** Compliance testing for period of availability could not be performed, as we were unable to determine which expenditures were associated with a particular project year in order to determine if the costs were incurred within the allowable time period established in the grant agreement for the project year.
3. **Level of Effort and Earmarking:** A test of compliance for level of effort could not be performed due to the commingling of financial activity associated with federal funds and local sources. The financial records incorrectly identified monies associated with local sources as being used for federal programs thus understating expenditures made from local (funds)

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(Continued)

sources and inflating expenditures related to federal funds. Earmarking compliance requirements associated with targeting funds for choice-related transportation and supplemental educational services, as outlined in the budget approved by the pass-through entity, could not be tested as a result of the commingling of financial activity associated with different project years with in the same fund.

4. **Reporting and ARRA Reporting:** Testing of compliance with reporting related to request for advance or reimbursement, ARRA reporting, and annual final expenditure reporting, as required by the pass-through entity, could not be performed as we were unable to identify the financial activity associated with each project year to determine that the total project costs as reported to the pass-through entity were accurate. Furthermore, expenditures were made from federal project funds in excess of the federal project award amounts making it impractical to determine financial activity associated with a particular project year for the federal program as a whole.

5. **Special Tests and Provisions – Budget Modification Approval:** The agreement with the pass-through entity established a budget for allowable costs and activities under the grant project and required approval for any line item budget modifications in excess of ten percent. Testing of compliance with the grant approved budget and approval of budget modifications could not be performed, as we were unable to distinguish which costs were associated with which project year budget and which costs were associated with the federal funds versus local sources.

34 CFR 80.20 states in part:

"(a) . . . Fiscal control and account procedures of the State, as well as its subgrantees . . . must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- (3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash . . . and must assure that it is used solely for authorized purposes.

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- (4) *Budget control.* Actual expenditures or outlays must be compared with budgeted . . .
- (5) *Allowable cost.* Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

OMB Circular A133 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."

The School Corporation officials stated that monies awarded for the federal projects are not sufficient to cover the costs of operating the program. As a result, the School Corporation continues to record costs associated with the federal project in the federal project fund and if the total costs exceed the amount allowed for the federal project, the excess costs are covered by transferring monies from local sources, such as the General Fund, to the federal project fund or attribute the excess cost to a subsequent grant project year. School Corporation officials stated that, because costs associated with project are in excess of federal awards received that, the total overall costs charged to the federal project fund are in compliance with the purpose of the individual federal projects.

In regards to the transfer of funds established for one project year to a subsequent project year and in regards to multiple federal projects being accounted for in one federal project fund, School Corporation officials stated that grant activities approved from one project year to the next project year do not change significantly to materially affect the overall compliance with the purpose of the individual federal projects.

We recommended the School Corporation establish separate funds for each grant project in order to properly account for the activity associated with each project. The financial activity for each grant project year should be monitored in order to determine expenditures and activities are in compliance with the approved federal grant budget or any modification of budget amounts are approved by the pass-through entity. Any costs in excess of the grant award budget amounts should be paid from funds established for local sources. Controls should be established to ensure compliance with grant program requirements. If the School Corporation wishes to consolidate monies for the operation of the federal program, approval and guidance should be obtained from the pass-through entity.

FINDING 2012-6, INTERNAL CONTROLS OVER SPECIAL TESTS AND PROVISIONS - TITLE I, PART A CLUSTER

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies and ARRA - Title I Grants to Local Educational Agencies, Recovery Act

CFDA Number: 84.010 and 84.389

Federal Award Number: 09-7230, 10-7230, 11-7230, 12-7230, FY11

Pass-Through Entity: Indiana Department of Education

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The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement special tests and provisions compliance requirement highly qualified teachers and paraprofessionals that has a direct and material effect to the program. The School Corporation did not have a formal system in place whereby employees' credentials are verified. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133 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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish procedures and controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2012-7, INTERNAL CONTROLS OVER EQUIPMENT AND REAL PROPERTY MANAGEMENT-TITLE I, PART A CLUSTER AND TWENTY FIRST CENTURY COMMUNITY LEARNING CENTERS

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies, ARRA - Title I Grants to Local Educational Agencies, Recovery Act
CFDA Number: 84.010, 84.389, 84.287
Federal Award Number: Title I, Part A Cluster 09-7230, 10-7230, 11-7230, 12-7230, FY11
Federal Award Number: Twenty First Century Community Learning Centers FY 11 and FY 12
Pass-through Entity: Indiana Department of Education

The School Corporation does not have adequate controls in place over assets purchased with federal funds. The following deficiencies were noted with controls of capital assets:

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(Continued)

1. Procedures are not in place to ensure the proper identification and recording of assets purchased with federal funds for recording in the capital asset record. The capital asset policy as established by the School Corporation requires upon receipt of an asset the completion of a form which identifies the asset information for recording in the capital asset records. The asset acquisition form as established in the policy is not being completed as required.
2. The capital asset policy requires a master list of all assets be prepared annually for comparison with the assets on hand. A physical inventory of capital assets had not been performed within the last two years.

As a result of not following procedures regarding the acquisition of capital asset records, an equipment purchase made during the audit period under the Twenty First Century Learning Centers program in the amount of \$5,495 was not included on the capital asset record.

Failure to have a system in place to capture information regarding assets acquired could result in assets not being recorded on the capital asset record. The failure to conduct a physical inventory and compare the physical inventory of assets on hand with the list of capital assets could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

34 CFR 80.32(d) states in part: ". . .

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. . . ."

OMB Circular A133 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."

We recommended the School Corporation follow the procedures as outlined in its capital asset policy regarding the acquisition of capital assets and monitor activity to ensure the procedures as outlined are being followed. A physical inventory of all assets should be conducted and reconciled with the detail capital asset ledger. Any significant differences between the physical inventory and the capital asset ledger should be investigated and the appropriate adjustments made to the records. Also any assets acquired with federal funds must be designated as such so that they are not disposed of improperly.

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FINDING 2012-8, FINANCIAL ACCOUNTABILITY - EDUCATION JOBS FUND

Federal Agency: U.S. Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Number: 11-7230
Pass-through Entity: Indiana Department of Education

The School Corporation uses fund accounting to account for federal project award receipts and expenditures. A separate fund should be established for each project award and the fund should reflect only the financial activity for a particular federal project.

The School Corporation did not have controls in place to properly monitor financial activity related to federal projects. Financial activity associated with the federal project was not properly monitored. Expenditures were charged to the federal project without a process in place to monitor the costs. As a result, costs were charged to the federal project that exceeded the federal award amount by \$164,511. Monies from the School Corporation's local funds (General Fund) were transferred to the grant project fund to cover the excess costs.

As a result of monies from local sources being commingled with federal sources, we were unable to test compliance with the following grant program requirements:

1. **Activities Allowed and Allowable Costs:** A test of compliance of activities allowed and allowable costs could not be performed as we were unable to distinguish which expenditures were associated with federal monies and which costs were paid from local sources. If unallowable costs or activities were to be identified, we would not be able to readily determine if federal monies were associated with the costs.

As a result of the above, costs associated with the Education Jobs Fund in the amount of \$326,077 were considered to be questioned costs.

2. **Level of Effort:** A test of compliance for level of effort could not be performed due to the commingling of financial activity associated with federal funds and local sources. Due to the improper recording of financial activity related to local sources being commingled with federal sources, the figures used in the calculation of the level of effort would be inaccurate and could not adequately evaluate if the compliance requirement was being met.
3. **Reporting and ARRA Reporting:** Testing of compliance with reporting related to request for advance or reimbursement and 1512 ARRA reporting could not be performed as we were unable to distinguish the financial activity related to federal program monies from expenditures related to local sources due to the commingling of monies for local and federal sources. The amounts shown as reported by the School Corporation were not in agreement with the financial records.

34 CFR 80.20 states in part:

"(a) . . . Fiscal control and account procedures of the State, as well as its subgrantees . . . must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and

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

- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

- (b) The financial management systems of other grantees and subgrantees must meet the following standards:
 - (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be in accordance with the financial reporting requirements of the grant or subgrant.

 - (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

 - (3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash . . . and must assure that it is used solely for authorized purposes.

 - (4) *Budget control.* Actual expenditures or outlays must be compared with budgeted . . .

 - (5) *Allowable cost.* Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

 - (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

OMB Circular A133 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."

The School Corporation officials stated that monies awarded for the federal projects are not sufficient to cover the costs of operating the program. As a result, the School Corporation continues to record costs associated with the federal project in the federal project fund and if the total costs exceed the amount allowed for the federal project, the excess costs are covered by transferring monies from local sources, such as the General Fund, to the federal project fund or attribute the excess cost to a subsequent grant project year. School Corporation officials stated that, because costs associated with project are in excess of federal awards received that, the total overall costs charged to the federal project fund are in compliance with the purpose of the individual federal projects.

We recommended the financial activity for each grant project year should be monitored in order to determine expenditures and activities are in compliance with the approved federal grant budget or any modification of budget amounts are approved by the pass-through entity. Any costs in excess of the grant

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

award budget amounts should be paid from funds established for local sources. Controls should be established to ensure compliance with grant program requirements. If the School Corporation wishes to consolidate monies for the operation of the federal program, approval and guidance should be obtained from the pass-through entity.

FINDING 2012-9, INTERNAL CONTROLS OVER PERIOD OF AVAILABILITY - EDUCATION JOBS FUND

Federal Agency: U.S. Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Number: 11-7230
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement period of availability compliance requirement that has direct and material effect to the program. The School Corporation did not have a system in place whereby grant expenditures were monitored to determine if the expenditures occurred within the time period allowable in the grant agreement. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133 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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish procedures and controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

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CONTACT PERSON: Berley Goodin
TITLE: Superintendent
PHONE NUMBER: 812-794-8750

FINDING NO. 2012-1 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING OF FEDERAL AWARDS

Corrective Action Planned:

School Corporation will establish controls for monitoring and reporting financial information of grant program. Separate funds will be established for each new grant program year and will reflect only activities for said grant program. Funds will be established to cover costs in excess of grant award and transfers recorded in federal funds will be for the current fund year and include detailed listings of the amount that is being transferred.

FINDING NO. 2012-2 INTERNAL CONTROLS OVER FINANCIAL REPORTING FOR PAYROLL WITHHOLDING FUNDS.

Corrective Action Planned:

School Corporation will establish procedures to reconcile withholding funds with supporting records on a regular basis. Financial activity of withholding funds will be reviewed to determine correct balances and adjustments made to financial records upon approval by the School Board to correct financial records.

FINDING NO. 2012-3 SPECIAL TESTS AND PROVISIONS – CHILD NUTRITION CLUSTER

Corrective Action Planned:

School Corporation will establish a separate fund for prepaid meals to properly record financial activity in the Child Nutrition Program. The current balance of prepaid meals will be established and transferred from the school lunch account to the prepaid meal account. To ensure proper accounting practices in the Child Nutrition program, transfers will be made from the prepaid meal account to the appropriate child nutrition accounts for purchases made in the school food program.

FINDING NO. 2012-4 FINANCIAL ACCOUNTABILITY – TWENTY FIRST CENTURY COMMUNITY LEARNING CENTERS

Corrective Action Planned:

School Corporation will establish separate funds for each grant project to account for activity associated with each project. Monitoring procedures will be established to determine expenditures and activities are in compliance with federal grant budget requirements and any modification of budget amounts are approved by pass-thru entity. Funds will be established from local sources to cover costs in excess of the grant award.

FINDING NO. 2012-5 FINANCIAL ACCOUNTABILITY – TITLE I, PART A CLUSTER

Corrective Action Planned:

School Corporation will establish separate funds for each grant project to account for activity associated with each project. Monitoring procedures will be established to determine expenditures and activities are in compliance with federal grant budget requirements and any modification of budget amounts are approved by pass-thru entity. Funds will be established from local sources to cover costs in excess of the grant award.

FINDING NO. 2012-6 INTERNAL CONTROLS OVER SPECIAL TESTS AND PROVISIONS – TITLE I, PART A CLUSTER

Corrective Action Planned:

School Corporation management will review and implement procedures and controls that include segregation of duties and all compliance requirements related to the grant agreement. Procedures will be implemented to verify staff credentials meet the qualifications required.

FINDING NO. 2012-7 INTERNAL CONTROLS OVER EQUIPMENT AND REAL PROPERTY MANAGEMENT

Corrective Action Planned:

School Corporation will follow procedures outlined in its capital asset policy regarding acquisition of capital assets and monitor activities to ensure procedures are being followed. Procedures will be established to record the purchase and disposal of assets. Physical inventories will be conducted and reconciled with capital assets record and any discrepancies will be investigated and appropriate adjustments made to records. Assets acquired with federal funds will be designated as such so they will not be disposed of improperly. These procedures will be monitored to ensure they are being followed.

FINDING NO 2012-8 FINANCIAL ACCOUNTABILITY – EDUCATION JOBS FUND

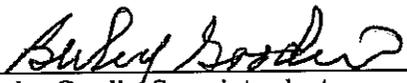
Corrective Action Planned:

School Corporation will establish procedures to monitor grant activities to ensure that requirements are in compliance with federal grant program. Funds will be established from local sources to cover costs in excess of the grant award.

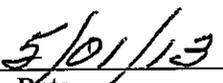
FINDIND NO. 2012-9 INTERNAL CONTROLS OVER PERIOD OF AVAILABILITY, EDUCATION JOBS FUND

Corrective Action Planned:

School Corporation management will establish procedures, controls and segregation of duties related to the grant agreement and all compliance requirements.



Berley Goodin, Superintendent



Date

SCOTT COUNTY SCHOOL DISTRICT 1
EXIT CONFERENCE

The contents of this report were discussed on May 14, 2013, with Berley Goodin, Superintendent of Schools; Darlene Hall, President of the School Board; Kathie E. Bowling, Treasurer; and Robert D. Anderson, Principal at Austin Elementary School.