

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, 2012 to June 30, 2014



FILED
01/06/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-4
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	5-6
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	9
Notes to Financial Statement	10-15
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	18-27
Schedule of Leases and Debt	29
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	32-34
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	36-37
Notes to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39-68
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	70-71
Corrective Action Plans	72-77
Other Reports.....	78

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathie Bowling	07-01-12 to 06-30-17
Superintendent of Schools	Berley Goodin	07-01-12 to 06-30-13
	Robert Anderson	07-01-13 to 06-30-19
President of the School Board	Joie Bukowski	07-01-12 to 12-31-12
	Darlene Hall	01-01-13 to 12-31-13
	Linda Spicer	01-01-14 to 12-31-14
	Kathy Morris	01-01-15 to 12-31-15
	Joie Bukowski	01-01-16 to 12-31-16



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We were engaged to audit the accompanying financial statement of the Scott County School District 1 (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

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.

Disclaimer of Opinion

Because of the significance of the matters discussed in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on this financial statement.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Supplementary Information


Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2016, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

November 9, 2016



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Scott County School District 1 (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated November 9, 2016, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America. 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

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002.

Scott County School District 1's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 9, 2016

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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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, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 3,342,375	\$ 9,956,967	\$ 10,031,749	\$ (238,132)	\$ 3,029,461	\$ 8,488,227	\$ 9,256,169	\$ 682,749	\$ 2,944,268
Debt Service	761,102	1,127,587	1,515,627	-	373,062	1,269,893	567,226	(668,816)	406,913
Retirement/Severance Bond Debt Service	74,780	150,059	157,023	-	67,816	162,786	158,071	-	72,531
Capital Projects	1,086,430	719,527	631,608	-	1,174,349	679,903	945,519	-	908,733
School Transportation	60,500	238,612	249,761	6,030	55,381	261,737	337,944	-	(20,826)
School Bus Replacement	1,672	53,373	-	-	55,045	2,769	-	-	57,814
Rainy Day	1,000,000	-	-	-	1,000,000	-	-	-	1,000,000
Retirement/Severance Bond	20,583	-	-	-	20,583	-	-	-	20,583
School Lunch	153,260	668,734	710,745	-	111,249	651,570	696,437	-	66,382
Textbook Rental	(106,440)	108,781	56,425	-	(54,084)	109,333	104,881	-	(49,632)
IU Southeast Partnership Fund	3,576	-	2,266	-	-	-	-	-	1,310
Educational License Plates	4,870	150	-	-	5,020	113	-	-	5,133
Elementary Music Department Donation	-	-	-	-	-	500	-	-	500
Walmart Teacher of Year McIntosh	272	-	-	-	272	-	-	-	272
Walmart Teacher of Year Atkins/Plasse	518	-	244	-	274	-	61	-	213
Community Foundation Grants	50	-	-	-	50	-	-	-	50
Box Top Fund AES	8,651	4,658	2,628	-	10,681	703	1,053	-	10,331
Kids First Fund	8,610	4,000	656	-	11,954	4,000	-	-	15,954
SSU "Cndy Factory" Fund AMS	247	1,733	1,521	-	459	791	835	-	415
We Care Fund	-	33,165	33,165	-	-	23,854	23,854	-	-
Blessings in a Backpack	1,525	1,412	748	-	2,189	1,956	3,742	-	403
Gifted and Talented Fund	376	28,572	15,015	-	13,933	28,325	27,510	(13,933)	815
Facilities Acquisition Construction	-	-	-	-	-	-	17,637	-	(17,637)
School Technology	7,374	2,925	-	-	10,299	2,225	-	-	12,524
Graduation Performance Award	20,000	-	-	-	20,000	-	-	-	20,000
ECESC ADOL Literacy Grant	70	-	-	-	70	-	-	-	70
Scott County Community Channel	2,621	-	15,185	20,884	8,320	-	11,990	15,435	11,765
Title I 2012-2013	-	341,543	399,498	-	(57,955)	94,600	69,271	-	(32,626)
Title I 2013-2014	-	-	-	-	-	352,325	367,114	-	(14,789)
Title I 2010-2011	(97,845)	-	-	97,845	-	-	-	-	-
Title I 2011-2012	(42,032)	85,207	183,762	116,098	(24,489)	-	3,580	-	(28,069)
Drug Free Schools	(1,595)	1,229	6,164	-	(6,530)	-	-	-	(6,530)
21st Century Learning Center Grant	(38,920)	246,220	273,591	42,937	(23,354)	10,218	(14,265)	-	1,129
21st Century Learning Center Grant 13-14	-	-	-	-	-	231,094	231,486	-	(392)
21st Century Learning Center Grant 14-15	-	-	-	-	-	-	13,372	-	(13,372)
ALC Donation Fund	457	2,172	1,311	-	1,318	500	1,490	-	328
Improving Teaching Quality	22,709	109,228	137,325	-	(5,388)	-	495	-	(5,883)
Title II Part A Class Size FY12	-	-	-	-	-	36,516	50,476	-	(13,960)
Title II Part A Class Size FY13	-	-	-	-	-	96,326	96,326	-	-
Rural Schools and Low Income Program	(33,265)	58,629	28,743	-	(3,379)	-	-	-	(3,379)
Title III - Language Instruction	685	377	-	-	1,062	545	-	-	1,607
Title I - ARRA	(79,281)	1,100	23,046	-	(101,227)	-	12	-	(101,239)
Education Jobs	(2,446)	4,817	258	(2,113)	-	-	-	-	-
Payroll	71,274	2,569,313	2,647,904	-	(7,317)	2,597,043	2,592,483	-	(2,757)
Totals	\$ 6,252,763	\$ 16,520,090	\$ 17,125,968	\$ 43,549	\$ 5,690,434	\$ 15,107,852	\$ 15,564,769	\$ 15,435	\$ 5,248,952

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 Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

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

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

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

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

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

Other receipts, which include amounts received from various sources including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

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

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

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

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

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

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

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.

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

Transfers in, which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out, which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units, and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

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.

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRF plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

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. Negative Receipts and Disbursements

The financial statement contains some receipts and/or disbursements which appear as negative entries. This is a result of errors made in the prior period being corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative receipt/disbursement was shown in the current period.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of disbursements exceeding available revenue and reimbursements made for expenditures under grant programs not being received by year end.

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

Note 9. Holding Corporation

The School Corporation has entered into a capital lease with Scott County 1998 School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2013 and 2014 totaled \$828,000 and \$565,000, respectively.

Note 10. Subsequent Events

The School Corporation entered into multiple debt agreements for the purchase of data processing instructional equipment as follows:

The School Corporation obtained a Common School Fund Loan on July 22, 2014, in the amount of \$114,300 with an interest rate of 1 percent for the purpose of the purchase of data processing instructional equipment.

In December 2014, the School Corporation entered into a new lease agreement with the Scott County 1998 School Building Corporation as a result of the Building Corporation's refinancing of its 2005 refunding bonds. Annual lease rental payments in accordance with the new lease agreement range from \$534,000 to \$633,000 up through January 15, 2023.

The School Corporation entered into a Common School Fund Loan on January 26, 2015, in the amount of \$54,615 with an interest rate of 1 percent for the purpose of the purchase of data processing instructional equipment.

In May 2015, the School Corporation entered into a capital lease agreement in the amount of \$206,233 with Apple, Inc. An initial debt payment of \$119,700 is due on May 25, 2015, with remaining annual debt payments of \$28,844 required up through May 25, 2018.

On June 8, 2015, the School Corporation entered into a debt agreement through a Common School Fund Loan in the amount of \$119,700 with an interest rate of 1 percent for the purpose of the purchase of data processing instructional equipment.

The School Corporation entered into debt through a Common School Fund Loan on July 28, 2015, in the amount of \$120,149.23 with an interest rate of 1 percent for the purpose of the purchase of data processing instructional equipment.

A Common School Fund Loan was obtained on December 14, 2015, in the amount of \$45,648 with an interest rate of 1 percent for the purpose of the purchase of data processing instructional equipment.

A Common School Fund Loan was obtained on December 31, 2015, in the amount of \$120,147 with an interest rate of 1 percent for the purpose of the purchase of data processing instructional equipment.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

SCOTT COUNTY SCHOOL DISTRICT 1
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 3,342,375	\$ 761,102	\$ 74,780	\$ 1,086,430	\$ 60,500	\$ 1,672	\$ 1,000,000	\$ 20,583	\$ 153,260
Receipts:									
Local sources	270,958	1,127,587	150,059	718,488	238,612	53,373	-	-	180,930
Intermediate sources	2	-	-	-	-	-	-	-	-
State sources	9,683,031	-	-	-	-	-	-	-	1,936
Federal sources	-	-	-	-	-	-	-	-	485,841
Other receipts	2,976	-	-	1,039	-	-	-	-	27
Total receipts	9,956,967	1,127,587	150,059	719,527	238,612	53,373	-	-	668,734
Disbursements:									
Instruction	6,621,344	-	-	-	-	-	-	-	-
Support services	3,183,579	-	-	458,518	249,761	-	-	-	-
Noninstructional services	226,826	-	-	-	-	-	-	-	710,745
Facilities acquisition and construction	-	-	-	173,090	-	-	-	-	-
Debt services	-	1,515,627	157,023	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	10,031,749	1,515,627	157,023	631,608	249,761	-	-	-	710,745
Excess (deficiency) of receipts over disbursements	(74,782)	(388,040)	(6,964)	87,919	(11,149)	53,373	-	-	(42,011)
Other financing sources (uses):									
Sale of capital assets	22,665	-	-	-	-	-	-	-	-
Transfers in	2,113	-	-	-	6,030	-	-	-	-
Transfers out	(262,910)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(238,132)	-	-	-	6,030	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(312,914)	(388,040)	(6,964)	87,919	(5,119)	53,373	-	-	(42,011)
Cash and investments - ending	\$ 3,029,461	\$ 373,062	\$ 67,816	\$ 1,174,349	\$ 55,381	\$ 55,045	\$ 1,000,000	\$ 20,583	\$ 111,249

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, 2013
 (Continued)

	Textbook Rental	IU Southeast Partnership Fund	Educational License Plates	Elementary Music Department Donation	Walmart Teacher of Year McIntosh	Walmart Teacher of Year Atkins/Plasse	Community Foundation Grants	Box Top Fund AES	Kids First Fund
Cash and investments - beginning	\$ (106,440)	\$ 3,576	\$ 4,870	\$ -	\$ 272	\$ 518	\$ 50	\$ 8,651	\$ 8,610
Receipts:									
Local sources	36,810	-	-	-	-	-	-	4,658	4,000
Intermediate sources	-	-	150	-	-	-	-	-	-
State sources	71,971	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	108,781	-	150	-	-	-	-	4,658	4,000
Disbursements:									
Instruction	-	66	-	-	-	244	-	2,628	-
Support services	56,425	2,200	-	-	-	-	-	-	70
Noninstructional services	-	-	-	-	-	-	-	-	586
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	56,425	2,266	-	-	-	244	-	2,628	656
Excess (deficiency) of receipts over disbursements	52,356	(2,266)	150	-	-	(244)	-	2,030	3,344
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	52,356	(2,266)	150	-	-	(244)	-	2,030	3,344
Cash and investments - ending	\$ (54,084)	\$ 1,310	\$ 5,020	\$ -	\$ 272	\$ 274	\$ 50	\$ 10,681	\$ 11,954

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, 2013
 (Continued)

	SSU "Candy Factory" Fund AMS	We Care Fund	Blessings in a Backpack	Gifted and Talented Fund	Facilities Acquisition Construction	School Technology	Graduation Performance Award	ECESC ADOL Literacy Grant	Scott County Community Channel
Cash and investments - beginning	\$ 247	\$ -	\$ 1,525	\$ 376	\$ -	\$ 7,374	\$ 20,000	\$ 70	\$ 2,621
Receipts:									
Local sources	1,733	33,165	1,412	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	28,572	-	2,925	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	1,733	33,165	1,412	28,572	-	2,925	-	-	-
Disbursements:									
Instruction	1,521	-	748	15,015	-	-	-	-	4,661
Support services	-	-	-	-	-	-	-	-	10,524
Noninstructional services	-	33,165	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,521	33,165	748	15,015	-	-	-	-	15,185
Excess (deficiency) of receipts over disbursements	212	-	664	13,557	-	2,925	-	-	(15,185)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	20,884
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	20,884
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	212	-	664	13,557	-	2,925	-	-	5,699
Cash and investments - ending	\$ 459	\$ -	\$ 2,189	\$ 13,933	\$ -	\$ 10,299	\$ 20,000	\$ 70	\$ 8,320

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, 2013
 (Continued)

	Title I 2012-2013	Title I 2013-2014	Title I 2010-2011	Title I 2011-2012	Drug Free Schools	21st Century Learning Center Grant	21st Century Learning Center Grant 13-14	21st Century Learning Center Grant 14-15	ALC Donation Fund
Cash and investments - beginning	\$ -	\$ -	\$ (97,845)	\$ (42,032)	\$ (1,595)	\$ (38,920)	\$ -	\$ -	\$ 457
Receipts:									
Local sources	-	-	-	-	-	-	-	-	2,172
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	341,543	-	-	85,207	1,229	246,220	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	341,543	-	-	85,207	1,229	246,220	-	-	2,172
Disbursements:									
Instruction	361,828	-	-	168,862	-	273,591	-	-	1,311
Support services	37,670	-	-	14,900	6,164	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	399,498	-	-	183,762	6,164	273,591	-	-	1,311
Excess (deficiency) of receipts over disbursements	(57,955)	-	-	(98,555)	(4,935)	(27,371)	-	-	861
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	97,845	116,098	-	48,967	-	-	-
Transfers out	-	-	-	-	-	(6,030)	-	-	-
Total other financing sources (uses)	-	-	97,845	116,098	-	42,937	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(57,955)	-	97,845	17,543	(4,935)	15,566	-	-	861
Cash and investments - ending	\$ (57,955)	\$ -	\$ -	\$ (24,489)	\$ (6,530)	\$ (23,354)	\$ -	\$ -	\$ 1,318

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, 2013
 (Continued)

	Improving Teacher Quality	Title II, Part A Class Size FY12	Title II, Part A Class Size FY13	Rural Schools and Low Income Program	Title III - Language Instruction	Title I - ARRA	Education Jobs	Payroll	Totals
Cash and investments - beginning	\$ 22,709	\$ -	\$ -	\$ (33,265)	\$ 685	\$ (79,281)	\$ (2,446)	\$ 71,274	\$ 6,252,763
Receipts:									
Local sources	-	-	-	-	-	-	-	-	2,823,957
Intermediate sources	-	-	-	-	-	-	-	-	152
State sources	-	-	-	-	-	-	-	-	9,788,435
Federal sources	109,228	-	-	58,629	377	1,100	4,817	-	1,334,191
Other receipts	-	-	-	-	-	-	-	2,569,313	2,573,355
Total receipts	109,228	-	-	58,629	377	1,100	4,817	2,569,313	16,520,090
Disbursements:									
Instruction	137,325	-	-	-	-	23,046	258	-	7,612,448
Support services	-	-	-	-	-	-	-	-	4,019,811
Noninstructional services	-	-	-	-	-	-	-	-	971,322
Facilities acquisition and construction	-	-	-	28,743	-	-	-	-	201,833
Debt services	-	-	-	-	-	-	-	-	1,672,650
Nonprogrammed charges	-	-	-	-	-	-	-	2,647,904	2,647,904
Total disbursements	137,325	-	-	28,743	-	23,046	258	2,647,904	17,125,968
Excess (deficiency) of receipts over disbursements	(28,097)	-	-	29,886	377	(21,946)	4,559	(78,591)	(605,878)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	43,549
Transfers in	-	-	-	-	-	-	-	-	271,053
Transfers out	-	-	-	-	-	-	(2,113)	-	(271,053)
Total other financing sources (uses)	-	-	-	-	-	-	(2,113)	-	43,549
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(28,097)	-	-	29,886	377	(21,946)	2,446	(78,591)	(562,329)
Cash and investments - ending	\$ (5,388)	\$ -	\$ -	\$ (3,379)	\$ 1,062	\$ (101,227)	\$ -	\$ (7,317)	\$ 5,690,434

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, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 3,029,461	\$ 373,062	\$ 67,816	\$ 1,174,349	\$ 55,381	\$ 55,045	\$ 1,000,000	\$ 20,583	\$ 111,249
Receipts:									
Local sources	196,583	1,269,893	162,786	679,903	261,737	2,769	-	-	157,792
Intermediate sources	5	-	-	-	-	-	-	-	-
State sources	8,275,146	-	-	-	-	-	-	-	1,898
Federal sources	-	-	-	-	-	-	-	-	491,863
Other receipts	16,493	-	-	-	-	-	-	-	17
Total receipts	8,488,227	1,269,893	162,786	679,903	261,737	2,769	-	-	651,570
Disbursements:									
Instruction	6,197,664	-	-	-	-	-	-	-	-
Support services	2,773,826	-	-	786,238	337,944	-	-	-	115
Noninstructional services	284,679	-	-	-	-	-	-	-	696,322
Facilities acquisition and construction	-	-	-	159,281	-	-	-	-	-
Debt services	-	567,226	158,071	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	9,256,169	567,226	158,071	945,519	337,944	-	-	-	696,437
Excess (deficiency) of receipts over disbursements	(767,942)	702,667	4,715	(265,616)	(76,207)	2,769	-	-	(44,867)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	682,749	-	-	-	-	-	-	-	-
Transfers out	-	(668,816)	-	-	-	-	-	-	-
Total other financing sources (uses)	682,749	(668,816)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(85,193)	33,851	4,715	(265,616)	(76,207)	2,769	-	-	(44,867)
Cash and investments - ending	\$ 2,944,268	\$ 406,913	\$ 72,531	\$ 908,733	\$ (20,826)	\$ 57,814	\$ 1,000,000	\$ 20,583	\$ 66,382

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, 2014
 (Continued)

	Textbook Rental	IU Southeast Partnership Fund	Educational License Plates	Elementary Music Department Donation	Walmart Teacher of Year McIntosh	Walmart Teacher of Year Atkins/Plasse	Community Foundation Grants	Box Top Fund AES	Kids First Fund
Cash and investments - beginning	\$ (54,084)	\$ 1,310	\$ 5,020	\$ -	\$ 272	\$ 274	\$ 50	\$ 10,681	\$ 11,954
Receipts:									
Local sources	38,146	-	-	500	-	-	-	703	4,000
Intermediate sources	-	-	113	-	-	-	-	-	-
State sources	71,187	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	109,333	-	113	500	-	-	-	703	4,000
Disbursements:									
Instruction	-	-	-	-	-	61	-	1,053	-
Support services	104,881	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	104,881	-	-	-	-	61	-	1,053	-
Excess (deficiency) of receipts over disbursements	4,452	-	113	500	-	(61)	-	(350)	4,000
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	4,452	-	113	500	-	(61)	-	(350)	4,000
Cash and investments - ending	\$ (49,632)	\$ 1,310	\$ 5,133	\$ 500	\$ 272	\$ 213	\$ 50	\$ 10,331	\$ 15,954

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, 2014
 (Continued)

	SSU "Candy Factory" Fund AMS	We Care Fund	Blessings in a Backpack	Gifted and Talented Fund	Facilities Acquisition Construction	School Technology	Graduation Performance Award	ECESC ADOL Literacy Grant	Scott County Community Channel
Cash and investments - beginning	\$ 459	\$ -	\$ 2,189	\$ 13,933	\$ -	\$ 10,299	\$ 20,000	\$ 70	\$ 8,320
Receipts:									
Local sources	791	23,854	1,956	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	28,325	-	2,225	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	791	23,854	1,956	28,325	-	2,225	-	-	-
Disbursements:									
Instruction	835	-	3,742	27,510	-	-	-	-	3,583
Support services	-	-	-	-	-	-	-	-	8,407
Noninstructional services	-	23,854	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	17,637	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	835	23,854	3,742	27,510	17,637	-	-	-	11,990
Excess (deficiency) of receipts over disbursements	(44)	-	(1,786)	815	(17,637)	2,225	-	-	(11,990)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	15,435
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(13,933)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(13,933)	-	-	-	-	15,435
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(44)	-	(1,786)	(13,118)	(17,637)	2,225	-	-	3,445
Cash and investments - ending	\$ 415	\$ -	\$ 403	\$ 815	\$ (17,637)	\$ 12,524	\$ 20,000	\$ 70	\$ 11,765

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, 2014
 (Continued)

	Title I 2012-2013	Title I 2013-2014	Title I 2010-2011	Title I 2011-2012	Drug Free Schools	21st Century Learning Center Grant	21st Century Learning Center Grant 13-14	21st Century Learning Center Grant 14-15	ALC Donation Fund
Cash and investments - beginning	\$ (57,955)	\$ -	\$ -	\$ (24,489)	\$ (6,530)	\$ (23,354)	\$ -	\$ -	\$ 1,318
Receipts:									
Local sources	-	-	-	-	-	-	-	-	500
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	94,600	352,325	-	-	-	10,218	231,094	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	<u>94,600</u>	<u>352,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,218</u>	<u>231,094</u>	<u>-</u>	<u>500</u>
Disbursements:									
Instruction	74,016	325,368	-	3,580	-	(14,265)	231,486	13,372	1,490
Support services	(4,745)	41,746	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>69,271</u>	<u>367,114</u>	<u>-</u>	<u>3,580</u>	<u>-</u>	<u>(14,265)</u>	<u>231,486</u>	<u>13,372</u>	<u>1,490</u>
Excess (deficiency) of receipts over disbursements	<u>25,329</u>	<u>(14,789)</u>	<u>-</u>	<u>(3,580)</u>	<u>-</u>	<u>24,483</u>	<u>(392)</u>	<u>(13,372)</u>	<u>(990)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>25,329</u>	<u>(14,789)</u>	<u>-</u>	<u>(3,580)</u>	<u>-</u>	<u>24,483</u>	<u>(392)</u>	<u>(13,372)</u>	<u>(990)</u>
Cash and investments - ending	<u>\$ (32,626)</u>	<u>\$ (14,789)</u>	<u>\$ -</u>	<u>\$ (28,069)</u>	<u>\$ (6,530)</u>	<u>\$ 1,129</u>	<u>\$ (392)</u>	<u>\$ (13,372)</u>	<u>\$ 328</u>

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, 2014
 (Continued)

	Improving Teacher Quality	Title II, Part A Class Size FY12	Title II, Part A Class Size FY13	Rural Schools and Low Income Program	Title III - Language Instruction	Title I - ARRA	Education Jobs	Payroll	Totals
Cash and investments - beginning	\$ (5,388)	\$ -	\$ -	\$ (3,379)	\$ 1,062	\$ (101,227)	\$ -	\$ (7,317)	\$ 5,690,434
Receipts:									
Local sources	-	-	-	-	-	-	-	-	2,801,913
Intermediate sources	-	-	-	-	-	-	-	-	118
State sources	-	-	-	-	-	-	-	-	8,378,781
Federal sources	-	36,516	96,326	-	545	-	-	-	1,313,487
Other receipts	-	-	-	-	-	-	-	2,597,043	2,613,553
Total receipts	-	36,516	96,326	-	545	-	-	2,597,043	15,107,852
Disbursements:									
Instruction	495	50,476	96,326	-	-	12	-	-	7,016,804
Support services	-	-	-	-	-	-	-	-	4,048,412
Noninstructional services	-	-	-	-	-	-	-	-	1,004,855
Facilities acquisition and construction	-	-	-	-	-	-	-	-	176,918
Debt services	-	-	-	-	-	-	-	-	725,297
Nonprogrammed charges	-	-	-	-	-	-	-	2,592,483	2,592,483
Total disbursements	495	50,476	96,326	-	-	12	-	2,592,483	15,564,769
Excess (deficiency) of receipts over disbursements	(495)	(13,960)	-	-	545	(12)	-	4,560	(456,917)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	15,435
Transfers in	-	-	-	-	-	-	-	-	682,749
Transfers out	-	-	-	-	-	-	-	-	(682,749)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	15,435
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(495)	(13,960)	-	-	545	(12)	-	4,560	(441,482)
Cash and investments - ending	\$ (5,883)	\$ (13,960)	\$ -	\$ (3,379)	\$ 1,607	\$ (101,239)	\$ -	\$ (2,757)	\$ 5,248,952

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SCOTT COUNTY SCHOOL DISTRICT 1
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Scott County 1998 School Building Corporation	Lease Rental Building-Holding Company	\$ 285,000	07/05/05	01/05/23
Apple Financial	1:1 Technology Devices	<u>114,300</u>	06/16/14	07/15/17
Total of annual lease payments		<u>\$ 399,300</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Common School Loans	\$ 5,076,273	\$ 639,555
Notes and loans payable	Veterans Memorial Loans	45,000	10,450
Guaranteed Energy Savings Loan	HS/MS Project	88,987	61,984
Bond Payable	Severance Bonds	<u>1,240,000</u>	<u>79,899</u>
Totals		<u>\$ 6,450,260</u>	<u>\$ 791,888</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Disclaimer of Opinion on Title I, Part A Cluster

As described in item 2014-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation supporting the compliance of the School Corporation with the Title I Grants to Local Educational Agencies and ARRA - Title I Grants to Local Educational Agencies, Recovery Act programs regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash

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

Management, Period of Availability, Level of Effort and Earmarking, Reporting, and Special Tests and Provisions, nor were we able to satisfy ourselves as to the School Corporation's compliance with those requirements by other auditing procedures.

***Basis for Qualified Opinion on Twenty-First Century Community Learning Centers,
Child Nutrition Cluster, and Special Education Cluster (IDEA)***

As described in items 2014-006 and 2014-007 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs/Cost Principles and Level of Effort that are applicable to its Twenty-First Century Community Learning Centers program. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

As described in items 2014-010, 2014-011, and 2014-013 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Reporting, Procurement, Suspension and Debarment, and Allowable Costs/Cost Principles that are applicable to its School Breakfast Program, National School Lunch Program and Summer Food Service Program for Children. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

As described in item 2014-015 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Level of Effort that are applicable to its Special Education - Grants to States and Special Education - Preschool Grants. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Disclaimer of Opinion on Title I, Part A Cluster

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on Title I, Part A Cluster* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the School Corporation's compliance with the types of compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies and ARRA - Title I Grants to Local Educational Agencies, Recovery Act for the period of July 1, 2012 to June 30, 2014.

***Qualified Opinion on Twenty-First Century Community Learning Centers,
Child Nutrition Cluster, and Special Education Cluster (IDEA)***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Twenty-First Century Community Learning Centers, Child Nutrition Cluster, and Special Education Cluster (IDEA)* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Twenty-First Century Community Learning Centers, Child Nutrition Cluster and Special Education Cluster (IDEA) for the period of July 1, 2012 to June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2014-004. Our opinion on each major federal program is not modified with respect to these matters.

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

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance


Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003, 2014-004, 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, 2014-010, 2014-011, 2014-012, 2014-013, 2014-014, and 2014-015 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 9, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

SCOTT COUNTY SCHOOL DISTRICT 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
			SY 12-13	\$ 116,917	\$ -
			SY 13-14	-	120,289
				<u>116,917</u>	<u>120,289</u>
Total - School Breakfast Program				<u>116,917</u>	<u>120,289</u>
National School Lunch Program	Indiana Department of Education	10.555			
			SY 12-13	397,772	-
			SY 13-14	-	400,430
				<u>397,772</u>	<u>400,430</u>
Total - National School Lunch Program				<u>397,772</u>	<u>400,430</u>
Summer Food Service Program for Children	Indiana Department of Education	10.559			
			SY 12-13	8,273	-
			SY 13-14	-	6,027
				<u>8,273</u>	<u>6,027</u>
Total - Summer Food Service Program for Children				<u>8,273</u>	<u>6,027</u>
Total - Child Nutrition Cluster				<u>522,962</u>	<u>526,746</u>
Total - Department of Agriculture				<u>522,962</u>	<u>526,746</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			12-7230	85,207	-
			13-7230	341,543	127,225
			14-7230	-	319,700
				<u>426,750</u>	<u>446,925</u>
Total - Title I Grants to Local Educational Agencies				<u>426,750</u>	<u>446,925</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Indiana Department of Education	84.389			
			12-7230	1,100	-
				<u>1,100</u>	<u>-</u>
Total - Title I, Part A Cluster				<u>427,850</u>	<u>446,925</u>
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027			
			14211-038-PN01	28,150	-
			14212-038-PN01	176,757	31,383
			14213-038-PN01	88,157	194,456
			14214-038-PN01	-	75,671
			99914-157-TA01	-	1,090
				<u>293,064</u>	<u>302,600</u>
Total - Special Education - Grants to States				<u>293,064</u>	<u>302,600</u>

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

SCOTT COUNTY SCHOOL DISTRICT 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Education (continued)</u>					
Special Education Cluster (IDEA) (continued)					
Special Education - Preschool Grants	Indiana Department of Education	84.173			
			45711-038-PN01	4,124	-
			45712-038-PN01	7,770	4,042
			45713-038-PN01	37	11,598
			45714-038-PN01	-	333
Total - Special Education - Preschool Grants				<u>11,931</u>	<u>15,973</u>
Total - Special Education Cluster (IDEA)				<u>304,995</u>	<u>318,573</u>
Safe and Drug-Free Schools and Communités_State Grants	Indiana Department of Education	84.186			
			09-7230	1,229	-
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287			
			FY 12	14,890	-
			FY 13	231,331	10,218
			FY 14	-	231,094
Total - Twenty-First Century Community Learning Centers				<u>246,221</u>	<u>241,312</u>
Rural Education	Indiana Department of Education	84.358			
Rural and Low Income Grant			FY 10	74	-
			FY 12	25,613	-
Total - Rural Education				<u>25,687</u>	<u>-</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			10-7230	38,817	-
			11-7230	103,352	-
			12-7230	-	36,516
			13-7230	-	96,326
Total - Improving Teacher Quality State Grants				<u>142,169</u>	<u>132,842</u>
Education Jobs Fund	Indiana Department of Education	84.410			
			FY 11-7230	4,817	-
Total - Department of Education				<u>1,152,968</u>	<u>1,139,652</u>
Total federal awards expended				<u>\$ 1,675,930</u>	<u>\$ 1,666,398</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 (SEFA) includes the federal grant activity of the School Corporation and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances, the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Noncash Assistance

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

Program Title	Federal CFDA Number	2013	2014
Child Nutrition Cluster:			
Food Commodities:			
National School Lunch Program	10.555	\$ 37,964	\$ 34,892

Note 3. Madison Area Educational Special Services Unit

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

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:

Title I, Part A Cluster	Disclaimer
Twenty-First Century Community Learning Centers	Qualified
Child Nutrition Cluster	Qualified
Special Education Cluster	Qualified

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.287	Title I, Part A Cluster Twenty-First Century Community Learning Centers Child Nutrition Cluster Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?	no
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SCOTT COUNTY SCHOOL DISTRICT 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II - Financial Statement Findings

**FINDING 2014-001 - INTERNAL CONTROLS AND NONCOMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING**

Condition

The School Corporation did not have a proper system of internal controls in place to ensure accuracy in financial reporting. Several deficiencies in the internal control system related to financial transactions and reporting were identified as follows:

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts, disbursements, and financial reporting.

Receipts: Different office personnel were assigned the responsibility for issuing receipts for different collection areas. These individuals issued the receipts for the collection area, posted the receipts, and prepared and made the bank deposit without any oversight. The same individual that prepared the bank reconciliation was also responsible for issuing receipts for some collection areas. The bank reconciliation and receipts were not reviewed by another individual to ensure the accuracy and proper accountability of activity. Adjustment transactions were recorded to the financial records without oversight approval to verify validity of the adjustments.

Vendor Disbursements: In some instances, the person responsible for preparing the bank reconciliation also processed the disbursements transactions and issued checks. Adjustment transactions were recorded to the financial records without oversight approval to verify validity of the adjustments.

Payroll Disbursements: The same individual responsible for entering new employees and terminating employees within the payroll system also entered the pay rates, processed payroll disbursement transactions, issued payroll checks, entered banking information for electronic payments, and made electronic payroll deposits.

Financial Reporting: The Financial Report was prepared by one individual without any oversight or review to ensure the accuracy of the information reported.

2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.
3. Procedures were not in place to review and monitor financial transactions and budgets in order to ensure activity was recorded to the proper expenditure account and/or fund.
4. Procedures were not in place to perform reconciliations of control accounts with the supporting detailed subsidiary records to ensure financial activity was properly recorded.

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

Context

The failure to have adequate controls over financial transactions and reporting resulted in errors in financial reporting. As a result of the volume of errors identified during the audit process and uncorrected beginning fund balances, a disclaimer of opinion was issued on the financial statements. The following misstatements or irregularities were identified as indicated below:

1. Financial activity was not properly classified to the proper expenditure account and/or recorded in the proper fund. Several funds had deficit balances as the result of the incorrect recording of financial activity. Expenditures were reported in several federal grant funds in excess of the approved grant award amounts resulting in deficit fund balances. No additional grant monies will be received to offset the deficit balances which will have to be absorbed by other funds.
2. The Payroll fund included various payroll withholding control accounts that incorrectly contained deficit balances or reported a balance representing amounts owed for withholdings at year end when no amounts were actually due.
3. Proper documentation was not maintained to support time worked and verification that employees actually performed the services for which they were being compensated. Eight instances were noted where the rates of compensation paid to employees could not be verified as being paid at authorized rates. No controls were identified to show that anyone was verifying the accuracy of rates paid back to an approved contract or salary schedule. Procedures were not in place to ensure biweekly payroll activity was properly entered and processed through the payroll application system to ensure that all relevant data, such as, total contract amount paid to date, leave time taken, etc., was properly updated within the system.
4. Monies collected for prepayment of school meals were incorrectly reported within the School Lunch fund instead of a Prepaid Food fund to separately account for monies being held on behalf of students.
5. Adjustment transactions were recorded to the financial records without supporting documentation as to why the adjustment was made.

Criteria

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)

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

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)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

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)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Cause

Management of the School Corporation had not established a proper system of internal control. An evaluation of the School Corporation's system of internal control had not been conducted. Management had not conducted a risk assessment related to the School Corporation's financial reporting and transactions.

Financial activity was not reviewed for reasonableness and proper recording.

Effect

The failure to establish and monitor the internal control system resulted in controls either not being designed properly or operating effectively to provide assurance of the prevention, or detection and correction of misstatements in a timely manner. Numerous errors were identified in financial recording and reporting resulting in a disclaimer of opinion on the financial statements.

Failure to reconcile the payroll control account with subsidiary records could have resulted in the incorrect payment of withholding and the improper financial reporting of amounts owed.

Failure to properly maintain records of hours worked and the related approval verifying the employee worked could have resulted in the incorrect compensation paid to employees and fraudulent activity to go undetected. Failure to properly document time worked by employees could have resulted in noncompliance with federal and state regulations and result in fines and penalties assessed the School Corporation for failure to comply.

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

Loss of revenue could have occurred to the School Corporation due to the failure to reconcile the School Lunch subsidiary records with the financial activity reported in the control account in the financial records. Financial activity could have been processed through the student accounts in the subsidiary record that was not being identified and accounted for in the financial records.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). As a result, material misstatements of the SEFA remained undetected. The Treasurer prepared the SEFA; however, there were no controls in place to verify the accuracy of the information prior to submission.

Context

Financial activity was incorrectly reported on the SEFA. For the 2012-2013 school year, federal grant program activity was reported based upon grant fund disbursement transactions and in the 2013-2014 school year the activity was reported based upon receipts to the federal grant funds. Federal grant financial activity related to the Child Nutrition Cluster was omitted from the SEFA for both school years. Amounts reported on the SEFA by the School Corporation were understated by \$615,401 and \$981,269 for the 2012-2013 and 2013-2014 school years, respectively.

Audit adjustments were proposed, and accepted by the School Corporation, and made to the SEFA, to match amounts identified as received based upon third-party information. However, we could not determine if the amounts received were for the proper amounts.

Criteria

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

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

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310. . . ."

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

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Failure to have a proper system of internal control in place that operated effectively enabled material misstatements of the SEFA to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - INTERNAL CONTROLS AND NONCOMPLIANCE OVER TITLE I, PART A CLUSTER

Federal Agency: Department of Education

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

CFDA Numbers: 84.010, 84.389

Federal Award Numbers and Years (or Other Identifying Numbers): FY 12-7230, FY 13-7230,
FY 14-7230, FY12

Pass-through Entity: Indiana Department of Education

Condition

The School Corporation used 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.

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 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 then transferred monies from local funds to eliminate or decrease the deficit balance. The transfers would often times be made in the subsequent school year and no documentation was 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.

Context

The above accounting for federal projects also affected 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 commingled, we were unable to test compliance with the following grant program requirements:

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

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

A test of compliance of activities allowed and allowable costs could not be performed. We were unable to determine which expenditures were associated with each project year in order to determine that the expenditures were in compliance with the project year's budgeted activities as approved by the pass-through entity. Additionally, due to the commingling of federal and local funds we were not able to distinguish which costs were paid from federal and/or local sources. If unallowable costs or activities were to be identified we would not be able to determine if federal monies were associated with the unallowable costs. Total expenditures for the Title I, Part A Cluster were \$874,795

Cash Management

A test of compliance for cash management could not be performed due to the coming of financial activity associated with federal funds and local sources. We were unable to determine if costs recorded in the records were incurred prior to reimbursement request.

Period of Availability

A test of compliance for period of availability could not be performed due to the comingling of financial activity associated with federal funds and local sources. 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.

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 sources and inflating expenditures related to federal funds. Earmarking compliance requirements associated with programs for homeless children as outlined in the budget approved by the pass-through entity could not be tested as a result of the comingling of financial activity.

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.

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 10 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.

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

Special Tests and Provisions - Title I ARRA Funds Reported Separately

A test of compliance for reporting Title I ARRA federal funds separately could not be performed due to the commingling of financial activity associated with federal funds and local sources. The Title I ARRA fund had a deficit cash balance of \$101,239 as of June 30, 2014. There were no additional federal monies receipted to the fund subsequent to July 12, 2012, and no indication that additional federal monies will be received.

Questioned Costs

Because we were unable to test the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements, all costs associated with the Title I, Part A Cluster in the amount of \$874,775 were considered to be questioned costs.

Criteria

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

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

34 CFR 80.20(b) 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 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 amounts of each grant . . .
- (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. . . ."

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

2 CFR 176.210(a) states:

"To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR [215.21](#) 'Uniform Administrative Requirements for Grants and Agreements' and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds. OMB Circular A-102 is available at <http://www.whitehouse.gov/omb/circulars/a102/a102.html>."

Effect

The failure to establish an effective internal control system enabled 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 have resulted in the loss of federal funds to the School Corporation or the potential repayment of funds identified as questioned costs.

Recommendation

We recommended that the management of 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 and reasonable assurance to detect errors. 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.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-004 - SPECIAL TESTS AND PROVISIONS - ANNUAL REPORT CARD, HIGH SCHOOL GRADUATION RATE

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 12-7230, 13-7230, 14-7230

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Test and Provision - Annual Report Card, High School Graduation Rate compliance requirement.

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

Context

The School Corporation reported that 19 students were removed from the 2014 graduation cohort during the audit period. For 5 of the 19 students that were removed, there was no written documentation available to verify that the student was removed from the graduation cohort due to a transfer out, emigration to another country, incarceration, or death.

Criteria

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

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

34 CFR 200.19(b)(ii) states in part:

". . . (B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

- (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.
- (2) A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-005 - INTERNAL CONTROLS OVER TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS

Federal Agency: Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Numbers and Years (or Other Identifying Numbers): FY12, FY13, FY14

Pass-through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an internal control system related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Cash Management, Period of Availability, and Reporting.

Context

One individual prepared and submitted the reimbursement requests. No controls were in place to ensure that all expenses claimed were for allowable activities, that the expenses were paid prior to requesting reimbursement, that expenses were incurred within the period of availability, and amounts reported agreed with the School Corporation's financial records.

Criteria

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

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system could have enabled material noncompliance to go undetected. A lack of segregation of duties within an internal control system could have allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could have resulted in the loss of federal funds to the School Corporation or the potential repayment of funds received.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended the School Corporation's management design, establish, and implement controls related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

View of Responsible Officials

For views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-006 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Number and Years (or Other Identifying Numbers): FY12, FY13, FY14

Pass-through Entity: Indiana Department of Education

Condition

The School Corporation did not have controls in place to properly monitor financial activity to determine if costs charged to the program were allowable costs in accordance with the Allowable Costs/Cost Principles compliance requirement. The lack of controls resulted in costs charged to the grant program that were not properly documented or considered unallowable costs under the program.

Context

The following problems were identified with costs charged to the grant program:

1. Transportation costs in the amount of \$17,124 were charged to the grant program with no documentation to support the costs charged.
2. Costs in the amount of \$21,674 were charged to the grant program Personnel budget category for bus driver salaries. Per the approved grant program budget, bus driver salaries were to be included in the Transportation budget category. Per the grant application budget, funds disbursed from the Personnel budget category were to be used for administrative and instructional salaries. No records were presented to indicate that an approved budget modification had been received.
3. The May 2012 and June 2014 reimbursement requests included salary and fringe benefit amounts that did not directly correspond to the transactions recorded in the financial records. Adjustments were made to personnel expenditures in order to not exceed budgeted amounts available under the grant programs. Supporting documentation was not maintained to identify the specific personnel for which the adjustments were made.
4. Personal activity reports and semiannual certifications (time and effort logs) were not completed by employees to support the time spent on the Twenty-First Century Learning Centers program.

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

Questioned Costs

Item 1 above regarding unsupported transportation costs associated with the Twenty-First Century Learning Centers Program in the amount of \$17,124 is considered to be questioned costs.

Criteria

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

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

34 CFR 80.20(b) 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 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. . . .
- (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. . . ."

34 CFR 80.30(c) states in part:

"*Budget changes (1) Nonconstruction projects.* Except as stated in other regulations or an award document, grantees or subgrantees shall obtain the prior approval of the awarding agency whenever any of the following changes is anticipated under a non-construction award: . . .

- (ii) Unless waived by the awarding agency, cumulative transfers among direct costs categories, or, if applicable, among separately budgeted programs, projects, functions, or activities which exceed or are expected to exceed ten percent of the current total approved budget, whenever the awarding agency's share exceeds \$100,000. . . ."

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

OMB Circular A-87, Attachment B, section 8(h) states in part:

". . . Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit. . .
- (2) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. . . .
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. . . ."

Cause

Management had not developed a system of internal controls including segregation of key functions. Procedures were not in place to determine that financial activity was properly classified and recorded in the grant funds and that time and effort records were properly maintained.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the School Corporation.

Recommendation

We recommended that personnel responsible for allocating personnel costs and approving costs become knowledgeable about the grant program and of the activities and costs allowed per the approved grant application in order to properly monitor costs prior to charging and authorizing the costs to the federal program.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2014-007 - LEVEL OF EFFORT

Federal Agency: Department of Education
Federal Program: Twenty-First Century Community Learning Centers
CFDA Number: 84.287
Federal Award Numbers and Years (or Other Identifying Numbers): FY 12, FY 13, FY 14
Pass-through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system in order to ensure compliance with the Level of Effort compliance requirement.

Financial activity was not properly recorded to the financial records to ensure figures used in the computation of the Level of Effort were accurate. As a result of not being able to substantiate the accuracy of the figures used in the computation of Level of Effort, testing of the compliance requirement could not be performed.

Context

A test of compliance for Level of Effort could not be performed due to a disclaimer of opinion issued upon financial statements for both the prior and current audit periods. Problems were identified with the proper classification of expenditures and reporting of financial activity within the correct funds that resulted in the disclaimer of opinion. The financial records incorrectly identified monies associated with local sources as being used for federal programs. Due to the condition of the financial records, alternative procedures could not be performed to substantiate the expenditures amounts used in the calculation.

Criteria

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

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

2 CFR 200.333 states in part:

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

Cause

Management had not developed a system of internal controls including segregation of key functions. Procedures were not in place to determine financial activity was properly classified and recorded in the financial records.

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

Effect

The failure to establish an effective internal control system allowed for noncompliance to go undetected or prevented correction in a timely manner. Noncompliance of the Level of Effort requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish and implement controls, including the segregation of duties, to ensure compliance with the Level of Effort compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-008 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Cash Management, Program Income, and Special Tests and Provisions related to Verification of Free and Reduced Price Applications and School Food Accounts.

Context

Activities Allowed or Unallowed

The School Corporation had not designed or implemented adequate policies and procedures to ensure that School Lunch funds were expended for allowable activities. One individual reviewed and approved claims prior to payment with no controls in place to ensure that the claims were for allowable expenses.

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

Cash Management

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were limited to the average expenditures for three months. An oversight or review process had not been established to document the monitoring of the cash balances.

Special Tests and Provisions - Verification of Free and Reduced Price Applications

Each School Corporation that participates in the National School Lunch Program must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The School Corporation performed the verifications; however, there was no documentation that an oversight or review process had been established to ensure the accuracy of the verifications performed.

Program Income and Special Tests and Provisions - School Food Accounts

The School Corporation had not designed or implemented adequate policies and procedures to ensure that all School food collections were properly recorded in the School Lunch fund. No controls were in place to ensure that proper transfers were made from the Prepaid Meal accounts to the School Lunch fund.

Criteria

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

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-009 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

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

Pass-Through Entity: Indiana Department of Education (IDOE)

Condition

An effective internal control system was not in place at the School Corporation. The School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with the Special Tests and Provisions - Paid Lunch Equity.

Context

The School Corporation calculated the Paid Lunch Equity and submitted it to the State; however, the School Corporation did not have any controls in place to determine that the calculations were correct prior to being submitted to IDOE.

Criteria

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

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-010 - REPORTING

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the Reporting compliance requirement. The Annual Financial Reports (AFR) filed by the School Corporation for the school years 2012-2013 and 2013-2014, did not agree with the School Corporation's financial records.

Context

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the AFR, that is required to be submitted at the end of each fiscal year, was accurate. The reports were not reviewed to ensure that they were accurate and in compliance with Reporting requirements. An oversight, review, or approval process had not been established. One individual prepared and submitted reports without oversight or review of the reports prior to submission.

The revenue and cash balances shown on the AFR did not agree with the underlying financial records for the reports associated with the 2012-2013 and 2013-2014 school years. Federal reimbursements to the program for the 2012-2013 year were not properly classified in the financial records as to the proper revenue source. The AFR was not reflective of the financial transactions of the School Corporation because the School Corporation financial records for 2012-2013 used a standard allocation percentage to allocate monies between breakfast and lunch sales and do not reflect the actual breakdown of income based upon actual sales as required in the AFR. The Prepaid Meal accounts were also included in the School Lunch fund during 2012-2013 and 2013-2014 audit periods resulting in the balance reported on the AFR not agreeing with the financial ledgers.

Criteria

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

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

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

7 CFR 3016.20(b)(1) Standards for financial management systems states in part: ". . . *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. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Financial activity was not properly recorded within the financial records for the School Lunch fund. Financial activity associated with monies received for the prepayment of meals on account was incorrectly reported as revenue within the School Lunch fund resulting in the incorrect reporting of the School Lunch fund cash balances and the various individual revenue categories. Financial activity recorded to the records was not reviewed to determine if activity was properly recorded.

Effect

The failure to establish an effective internal control system resulted in reporting errors and placed the School Corporation at risk of allowing for the misuse and mismanagement of federal funds and assets. Non-compliance of the program Reporting requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-011 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Department of Education

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to Procurement and Suspension and Debarment.

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

The School Corporation relied on a third-party service provider to handle some bidding requirements and had not designed or implemented adequate policies and procedures to ensure compliance with procurement requirements and verify that vendors had not been suspended or debarred. There was no evidence that vendors had been checked for suspension or debarment prior to doing business with those vendors.

Context

The School Corporation was not aware of the Suspension and Debarment requirements and did not know if certifications were being completed by its third-party purchasing service vendor. The School Corporation was not checking the bid contract pricing to ensure compliance, nor were they checking for suspension or debarment.

Criteria

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

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

7 CFR 3016.35 states:

"Grantees and sub-grantees must not make any award or permit any award (sub-grant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, Debarment and Suspension."

2 CFR, Subpart C, 180.300 states as follows:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

7 CFR 3016.36(b) states in part:

"Procurement standards:

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. . . ."

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

Cause

Management had not developed a system of internal controls that segregated key functions, nor did they have procedures in place to ensure compliance with the Procurement and Suspension and Debarment requirements.

Effect

The failure to establish an effective internal control system allowed noncompliance with compliance requirements and could have allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program. Noncompliance of the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-012 - ELIGIBILITY

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and requirements related to the Eligibility.

Context

The School Corporation did not have a system in place with proper segregation of duties. One individual was in control of calculating and implementing the Eligibility program requirements with no other oversight or review.

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

Criteria

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

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system allowed for material noncompliance to go undetected or corrected in a timely manner. Noncompliance with the program requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the Eligibility compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-013 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with the grant agreement and requirements related to the Allowable Costs/Cost Principles.

Proper documentation was not retained to support salaries recorded to the School Lunch fund.

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

Context

Transactions related to the food service program were recorded in the School Lunch fund. This included, but was not limited to, the following: salaries and benefits, food purchases, supplies, and all revenue generated by the food service program. There was a lack of segregation of duties in reviewing costs charged to the program as only one individual was in control of validating and approving the costs recorded to the grant program.

The School Corporation did not comply with Allowable Costs/Cost Principles requirements regarding payment of salaries from the food service program (School Lunch fund). Semiannual Certifications and Personal Activity Reports were not completed for any employees whose salaries were charged to the program.

Costs of \$82,768 were charged to the grant programs for salaries and benefits of two employees that perform multiple job functions without Personal Activity Reports to document the distribution of actual time spent on the grant program and other job duties in order to support the portion of the salaries charged to the food service program.

In addition, proper documentation was not maintained for overtime paid to employees from the grant program. Time cards did not properly document hours worked to determine proper overtime compensation and no system was in place to document approval for overtime. Overtime compensation paid to employees without proper documentation totaled \$4,525.

Problems were identified with portions of salaries for six employees being charged to the program who did not perform job functions related to the food service program. Estimated unallowable costs associated with these employees totaled \$5,233.

Criteria

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

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

OMB Circular A-87, Attachment B, Section 8h states in part:

- ". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

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

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

Cause

Management had not developed a system of internal controls that segregated key functions. Employees were not required to properly maintain time cards showing the actual hours worked and documentation of overtime hours with proper approval.

Effect

The failure to establish an effective internal control system allowed for noncompliance with the grant program to occur and go undetected or not corrected in a timely manner. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation or the repayment of funds received.

Questioned Costs

The salaries and benefits charged to the federal programs without proper supporting documentation totaled \$92,526 and are considered questioned costs.

Recommendation

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

Semiannual certifications and personal activity logs should be completed for all employees paid from School Lunch funds. Time cards should be properly maintained showing the actual hours worked including overtime hours. Overtime hours should be properly authorized.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2014-014 - INTERNAL CONTROLS OVER SPECIAL EDUCATION CLUSTER (IDEA)

Federal Agency: Department of Education

Federal Programs: Special Education - Grants to States, Special Education - Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14211-038-PN01, 14212-038-PN01,
14213-038-PN01, 14214-038-PN01,
99914-157-TA01, 45711-038-PN01,
45712-038-PN01, 45713-038-PN01,
45714-038-PN01

Pass-Through Entity: Indiana Department of Education

Condition

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

Context

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

Cash Management

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

Period of Availability of Federal Funds

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

Reporting

Final Expenditure Reports were prepared and submitted by MAESSU's Business Manager. There were no controls in place to ensure the Final Expenditure Report was accurate prior to submission.

Count of Children with Disabilities Receiving Special Education Services was required to be prepared by the School Corporation. The School Corporation did not have controls in place to ensure the count reported was accurate prior to submission.

Criteria

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

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

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

Cause

Management had not developed a system of internal control including the segregation of key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-015 - LEVEL OF EFFORT

Federal Agency: Department of Education

Federal Programs: Special Education - Grants to States, Special Education - Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14211-038-PN01, 14212-038-PN01,
14213-038-PN01, 14214-038-PN01,
99914-157-TA01, 45711-038-PN01,
45712-038-PN01, 45713-038-PN01,
45714-038-PN01

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not established in order to ensure compliance with the Level of Effort compliance requirement.

Financial activity was not properly recorded to the financial records to ensure figures used in the computation of the Level of Effort were accurate. As a result of not being able to substantiate the accuracy of the figures used in the computation of Level of Effort, testing of the compliance requirement could not be performed.

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

Context

A test of compliance for Level of Effort could not be performed due to a disclaimer of opinion issued upon financial statements for the prior audit period and the current period under audit. Problems were identified with the proper classification of expenditures and reporting of financial activity within the correct funds that resulted in the disclaimer of opinion. The financial records incorrectly identified monies associated with local sources as being used for federal programs thus understating expenditures made from local sources and inflating expenditures related to federal funds.

Criteria

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

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

2 CFR 200.333 states in part:

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

Cause

Management had not developed a system of internal controls including segregation of key functions.

Procedures were not in place to determine financial activity was properly classified and recorded in the financial records.

Effect

Noncompliance with the Level of Effort program requirement could have resulted in the loss of federal funds to the School Corporation. The failure to establish an effective internal control system allowed for non-compliance to go undetected or prevents correction in a timely manner.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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

We further recommended that procedures should be developed to ensure financial activity is properly classified and recorded in the financial records. Financial activity should be reviewed to determine the activity has been properly classified.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENTS

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

SCOTT COUNTY SCHOOL DISTRICT 1
255 Highway 31 S. P.O. Box 9
AUSTIN, IN 47102
812-794-8750 or FAX: 812-794-8765

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDINGS 2012-3 – 9

Audit Report Number: B42303
Report Period: July 1, 2010 to June 30, 2012
Federal Grantor Agency: Indiana Department of Education
Contact Person: Robert Anderson
Phone Number: 812-794-8750

Status of Audit Findings:

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

Corrective Action:

School Corporation has established separate funds for prepaid meals to properly record financial activity in the Child Nutrition Program. The current balance of prepaid meals was established and transferred from the school lunch account to the prepaid meal account. To ensure proper accounting practices in the Child Nutrition program, monthly transfers are made from the prepaid meal accounts to the appropriate child nutrition accounts for purchases made in the school food program. Per 2012-2014 audit noted incorrect accounts set up for pre-paid meal money. New accounts have been established and will take effect July 1, 2016.

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

Corrective Action:

School Corporation has established separate funds for each grant project to account for activity associated with each project. Monitoring procedures were established to determine expenditures and activities were in compliance with federal grant budget requirements and any modification of budget amounts were approved by pass-thru entity. Funds were 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:

School Corporation established separate funds for each grant project to account for activity associated with each project. Monitoring procedures were established to determine expenditures and activities were in compliance with federal grant budget requirements and any modification of budget amounts were approved by pass-thru entity. Funds were 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:

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

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

Corrective Action:

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

FINDING NO 2012-8 FINANCIAL ACCOUNTABILITY – EDUCATION JOBS FUND

Corrective Action:

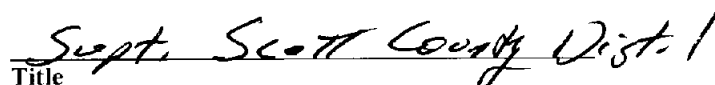
School Corporation established procedures to monitor grant activities to ensure that requirements are in compliance with federal grant program. Funds were established from local sources to cover costs in excess of the grant award.

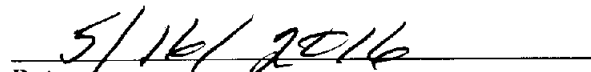
FINDIND NO. 2012-9 INTERNAL CONTROLS OVER PERIOD OF AVAILABILITY, EDUCATION JOBS FUND

Corrective Action:

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


Robert Anderson


Title


Date

SCOTT COUNTY SCHOOL DISTRICT 1

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AUSTIN, IN 47102
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Corrective Action Plan

Finding 2014-001 Internal Controls and Noncompliance over Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Jami Parks, Kathie Bowling, Debbie Kilburn
Contact Phone Number: 812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Description of Corrective Action Plan: The school board adopted the state mandated minimum Internal Control Resolution and will create a District Internal Control Policy according to the Uniform Internal Control Standards for Indiana Political Subdivisions. SCSD1 will work towards maintaining internal control controls 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 of the federal program. We will continue to improve our Internal Controls over the district financial statements.

Anticipated Completion Date: 06/31/2018

Finding 2014-002 Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Jami Parks/Kathie Bowling
Contact Phone Number: 812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue. New staff was not properly trained by former staff (who was unfamiliar with the Gateway reporting) and did not realize at the time the Child Nutrition Cluster was to be included.

Description of Corrective Action Plan: The Child Nutrition Cluster will be added to the SEFA in upcoming Schedule of Expenditures of Federal Awards. SCSD1 will work towards maintaining internal control controls 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 of the federal program.

Anticipated Completion Date: 06/31/2018

Finding 2014-003 Internal Controls and Noncompliance over Title I, Part A Cluster

Contact Person Responsible for Corrective Action: Jami Parks/Kathie Bowling
Contact Phone Number:812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue. Funds were improperly set up and expended by previous staff, new staff has done a better job for setting up a new fund for each program year.

Description of Corrective Action Plan: To make sure a new fund is created each program year and that grant funds are expended from the correct fund. SCSD1 will work towards maintaining internal control controls 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 of the federal program.

Anticipated Completion Date: 06/31/2018

Finding 2014-004 Special Tests and Provisions- Annual Report Card, High School Graduation Rate

Contact Person Responsible for Corrective Action: Ryan Herald, Kelly Goodin, and Joe Smith
Contact Phone Number:812-794-8730

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Description of Corrective Action Plan: SCSD1 will work towards maintaining internal control controls 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 of the federal program. Train staff on 34 CFR 200.19 9(b)

Anticipated Completion Date: 06/31/2018

Finding 2014-005 Internal Controls over Twenty-First Century Community Learning Centers

Contact Person Responsible for Corrective Action: Jami Parks, Michelle Watts, Robert Anderson
Contact Phone Number:812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

The Program Director approves all expenses and that goods/services were received before invoices are paid, Business Manager pays invoices and runs month end expenditure reports. Reimbursement reports reflect the costs from the expenditure report. Reimbursement reports are signed off by a preparer and approver.

Description of Corrective Action Plan: The district will continue its internal controls as staffing allows. SCSD1 will work towards maintaining internal control controls 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 of the federal program.

Anticipated Completion Date: 06/31/2018

Finding 2014-006 Allowable Costs/Cost Principles

Contact Person Responsible for Corrective Action: Kathie Bowling, Jami Parks, Michelle Watts
Contact Phone Number:812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue. Findings were the result of training. Changes have been made since the audit to correct the finding going forward.

Description of Corrective Action Plan: Transportation costs are now charged monthly to the program. SCSD1 will work towards maintaining internal control controls 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 of the federal program.

Anticipated Completion Date: 06/31/2018

Finding 2014-007 Level of Effort

Contact Person Responsible for Corrective Action: Jami Parks/Kathie Bowling
Contact Phone Number:812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

New funds have been created for each program year, expenses going forward will be charged to the correct fund.

Description of Corrective Action Plan: Created new funds for each program year and charge expenses to the correct fund. SCSD1 will work towards maintaining internal control controls 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 of the federal program.

Anticipated Completion Date: 06/31/2018

Finding 2014-008 Internal Controls over Child Nutrition Cluster

Contact Person Responsible for Corrective Action: Kathie Bowling/Sceria Shouse
Contact Phone Number:812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

With staffing changes the department is process of segregating duties to meet internal control demands.

Description of Corrective Action Plan: Duties will continue to be segregated as an internal control policy is developed. SCSD1 will work towards maintaining internal control controls 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 of the federal program.

Anticipated Completion Date: 06/31/2018

Finding 2014-009 Special Tests and Provisions-Paid Lunch Equity

Contact Person Responsible for Corrective Action: Kathie Bowling/Debbie Kilburn
Contact Phone Number:812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Monies have been transferred to accounts set up per the auditors

Description of Corrective Action Plan: Food Service Director reviews and approves the paid lunch equity calculations, and maintains the documentation of that calculation. Monies are transferred to correct revenue accounts monthly. SCSD1 will work towards maintaining internal control controls 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 of the federal program.

Anticipated Completion Date: 06/31/2018

Finding 2014-010 Reporting

Contact Person Responsible for Corrective Action: Kathie Bowling/Jami Parks
Contact Phone Number:812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Prepaid equity monies were removed from revenues and included in Balance of Accounts on the AFR.

Description of Corrective Action Plan: Correction was made with the 2015/2016 AFR. SCSD1 will work towards maintaining internal control controls 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 of the federal program.

Anticipated Completion Date: 06/31/2018

Finding 2014-011 Procurement, Suspension and Debarment

Contact Person Responsible for Corrective Action: Kathie Bowling
Contact Phone Number:812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

A majority of School Corporations in the State of Indiana use a third party purchaser. The third party purchaser notifies school when there is a vendor they can no longer purchase from. Food Service Director verifies compliance with the third party.

Description of Corrective Action Plan: SCSD1 will work towards maintaining internal control controls 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 of the federal program.

Food Service Director verifies compliance with the third party.

Anticipated Completion Date: 06/31/2018

Finding 2014-012 Eligibility

Contact Person Responsible for Corrective Action: Kathie Bowling
Contact Phone Number:812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Staff uses a system created and approved by the State of Indiana to declare eligibility. Due to cuts in State funding there is no staff available to review the status certification.

Description of Corrective Action Plan: Food Service Treasurer will continue to use State approved system to declare eligibility. SCSD1 will work towards maintaining internal control controls 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 of the federal program.

Anticipated Completion Date: 06/31/2018

Finding 2014-013 Allowable Costs/Cost Principles

Contact Person Responsible for Corrective Action: Kathie Bowling/Debbie Kilburn
Contact Phone Number:812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

We were not aware at time of audit that actual time spent had to be detailed on time sheet. Food Service Manager approves all invoices received on site prior to payment by Food Service Director.

Description of Corrective Action Plan: Employees are now logging actual time spent on new time sheets created as result of audit. There is a segregation of duties on the payment of invoices. SCSD1 will work towards maintaining internal control controls 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 of the federal program.

Anticipated Completion Date: 06/31/2018

Finding 2014-014 Internal Controls over Special Education Cluster (IDEA)

Contact Person Responsible for Corrective Action: Chris Trader (MAESSU)/ Jami Parks
Contact Phone Number: 812-265-3448

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Description of Corrective Action Plan: SCSD1 designated MAESSU as the fiscal agent to receive and manage the funding of Special education programs. MAESSU's Business Manager began having the board sign reports in October 2015. MAESSU will work towards maintaining internal control controls 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 of the federal program.

Anticipated Completion Date: 06/31/2018

Finding 2014-015 Level of Effort

Contact Person Responsible for Corrective Action: Dan Ashley, Robert Anderson, Joe Smith, Jami Parks

Contact Phone Number: 812-794-8750

Views of Responsible Official: Internal Controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

New funds have been created for each year, expenses going forward will be charged to the correct fund.

Description of Corrective Action Plan: SCSD1 will work towards maintaining internal control controls 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 of the federal program.

Anticipated Completion Date: 06/31/2018

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.