

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SCOTT COUNTY SCHOOL DISTRICT 2
SCOTT COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/17/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melinda Sparkman Christy C. Corum	07-01-16 to 12-17-18 12-18-18 to 06-30-19
Superintendent of Schools	Dr. Marc Slaton	07-01-16 to 06-30-19
President of the School Board	Jason Kendall Christy Roberts	07-01-16 to 12-31-18 01-01-19 to 12-31-19



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Scott County School District 2 (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2016 to June 30, 2018.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2016 to June 30, 2018, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 24, 2019, 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 solely 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 effectiveness of the School Corporation's 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

April 24, 2019



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Scott County School District 2 (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated April 24, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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 School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

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 item 2018-001.

Scott County School District 2's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

April 24, 2019

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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.

SCOTT COUNTY SCHOOL DISTRICT 2
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 1,271,307	\$ 18,065,103	\$ 17,108,258	\$ 119	\$ 2,228,271	\$ 18,249,970	\$ 17,874,665	\$ 360	\$ 2,603,936
Debt Service	1,676,324	2,269,681	2,659,085	-	1,286,920	2,948,197	2,689,573	-	1,545,544
Capital Projects	578,851	1,739,371	2,068,957	9,015	258,280	2,022,538	1,801,291	11	479,538
School Transportation	658,637	1,516,281	1,637,955	-	536,963	2,317,285	1,652,274	-	1,201,974
School Bus Replacement	763,912	383,170	228,851	(75,000)	843,231	263,917	171,126	(150,000)	786,022
Rainy Day	150,000	-	-	75,000	225,000	-	-	150,000	375,000
Retirement/Severance Bond	879,363	-	305,789	-	573,574	-	378,380	-	195,194
Construction	83,509	255,000	965,212	1,997,500	1,370,797	-	997,294	-	373,503
School Lunch	401,580	1,182,009	1,389,982	-	193,607	1,560,441	1,399,311	-	354,737
Prepaid Food	(13,363)	406,182	357,140	-	35,679	410,092	457,565	-	(11,794)
Textbook Rental	128,883	300,072	258,113	-	170,842	320,601	296,504	-	194,939
Self-Insurance	-	-	-	-	-	855,078	660,000	-	195,078
Levy Excess	93	-	-	-	93	-	-	-	93
Educational License Plates	967	131	-	-	1,098	-	-	-	1,098
Extra-Curricular Activities	616	-	-	-	616	-	-	-	616
ECA Reimbursable Activities	1,927	2,799	12,732	-	(8,006)	20,357	21,365	-	(9,014)
Pepsi - ECA Field Trips	14,645	20,485	13,154	-	21,976	15,386	10,626	-	26,736
John Ulen Scholarship Fund	16,776	-	1,984	-	14,792	-	1,910	-	12,882
Alumni Class of 56 Scholarship	12,114	-	1,000	-	11,114	-	1,000	-	10,114
MEP Scholarship	43,667	-	-	-	43,667	-	1,000	-	42,667
SHS Alumni Association	500	-	-	-	500	-	500	-	-
Ivan & Faye Rogers Scholarship	1,654	-	1,654	-	-	-	-	-	-
Wilson Scholarship Fund	25	-	-	-	25	-	-	-	25
Mildred McNay Scholarship Fund	350	-	350	-	-	-	-	-	-
Band of Warriors Winter Guard	1,814	-	-	-	1,814	-	-	-	1,814
Kids First / We Care	24,004	32,483	26,910	-	29,577	31,623	27,859	-	33,341
Washington National Stock	73	22	-	-	95	-	-	-	95
Elementary Mentor Fund	38	-	-	-	38	-	-	-	38
Excellence Education Donation	39	-	-	-	39	-	-	-	39
Classroom Teacher Grants	(138)	10,912	2,117	-	8,657	10,863	17,530	-	1,990
Collier - Warriorette Basketball	171	-	-	-	171	-	-	-	171
Donations for School Buildings	77,577	16,134	73,487	-	20,224	3,425	14,333	-	9,316
Student School Lunch Donations	164	-	-	-	164	-	-	-	164
Formative Assessment	-	33,533	33,533	-	-	30,939	30,939	-	-

SCOTT COUNTY SCHOOL DISTRICT 2
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
Instruction Support	223	-	-	-	223	-	-	-	223
Tech Prep	(34,253)	97,937	63,684	-	-	-	2,200	-	(2,200)
Early Childhood Intervention (First Steps)	-	12,971	10,784	-	2,187	12,900	4,289	-	10,798
Medicaid Reimbursement	-	15,008	2,021	-	12,987	3,381	3,805	-	12,563
Secured Schools Safety Grant	(49,994)	99,997	50,000	-	3	-	44,119	-	(44,116)
Lilly - Comprehensive Counsel	-	-	-	-	-	263,700	23,700	-	240,000
School Technology	45,613	102,028	305,665	-	(158,024)	503,235	301,455	-	43,756
Career and Technical Performance Grant	-	20,669	20,669	-	-	17,752	-	-	17,752
Higher Ability Grant 17/18	19,650	65,116	69,911	-	14,855	35,778	39,767	-	10,866
IU Mentor Teacher Training	240	-	-	-	240	-	-	-	240
Work Ethic Grant	-	8,194	8,194	-	-	2,303	3,930	-	(1,627)
Senator David Ford Technology	-	-	-	-	-	-	4,565	-	(4,565)
Title I 2016-17	-	424,280	495,693	-	(71,413)	190,326	118,913	-	-
Title I 2017-18	-	-	-	-	-	377,967	418,896	-	(40,929)
Title I 2015-2016	(97,603)	342,595	244,892	-	100	-	-	-	100
Spec Ed Part B, Section 611 -FY2019	-	91,715	94,982	-	(3,267)	2,660	(607)	-	-
Spec Ed Part B, Section 611 -FY2017	-	461,122	527,016	-	(65,894)	141,465	75,571	-	-
Spec Ed Part B, Section 611 -FY2018	-	-	-	-	-	458,122	509,295	-	(51,173)
Spec Ed Part B, Section 619 -FY2019	-	32,788	32,793	-	(5)	44	39	-	-
Spec Ed Part B, Section 619 -FY2017	-	12,889	20,496	-	(7,607)	20,871	13,266	-	(2)
Spec Ed Part B, Section 619 -FY2018	-	-	-	-	-	33,663	33,663	-	-
Americorps Grants	(19,530)	150,111	166,611	-	(36,030)	142,900	150,530	-	(43,660)
21st Century Community Learning Center 2017-18	(12,032)	-	(12,032)	-	-	118,679	127,592	-	(8,913)
21st Century Community Learning Center 2015-16	(4,200)	4,200	-	-	-	-	-	-	-
21st Century Community Learning Center 2016-17	-	138,981	161,584	-	(22,603)	22,603	-	-	-
Improving Teacher Quality, No Child Left, Title II, Part A	(21,245)	69,952	61,807	-	(13,100)	79,613	74,456	-	(7,943)
Title II, Part A - Digiaplooza	(8,738)	15,000	6,262	-	-	-	-	-	-
Rural Schools and Low Income Program - Pass Through State	-	-	-	-	-	15,928	21,237	-	(5,309)
Payroll Withholdings	26,721	5,526,608	5,835,029	-	(281,700)	4,272,681	3,776,151	-	214,830
Totals	<u>\$ 6,620,931</u>	<u>\$ 33,925,529</u>	<u>\$ 35,312,324</u>	<u>\$ 2,006,634</u>	<u>\$ 7,240,770</u>	<u>\$ 35,777,283</u>	<u>\$ 34,251,877</u>	<u>\$ 371</u>	<u>\$ 8,766,547</u>

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

SCOTT COUNTY SCHOOL DISTRICT 2
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

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

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

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

Other receipts. 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. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, 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:

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

Proceeds of long-term debt. Amounts received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

Transfers in. Amounts 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. Amounts 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

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

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, 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:

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

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

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

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 Disbursements

The financial statement contains some disbursements which appear as negative entries. This is a result of adjusting entries made to close out funds no longer in use.

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

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of some funds being set up for reimbursable grants or reimbursable clearing funds. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2017 and 2018. Deficits in cash balances were also a result of disbursements exceeding receipts due to the underestimation of current requirements for some funds. These deficits are to be repaid from future receipts.

Note 9. Holding Corporations

The School Corporation has entered into a capital lease with Scott County School District 2 Middle School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2017 and 2018 totaled \$1,441,000 and \$1,546,000, respectively.

The School Corporation has entered into a capital lease with Scott County School District 2 Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2017 and 2018 totaled \$214,000 and \$214,000, respectively.

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

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

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 1,271,307	\$ 1,676,324	\$ 578,851	\$ 658,637	\$ 763,912	\$ 150,000	\$ 879,363	\$ 83,509
Receipts:								
Local sources	27,315	2,269,681	1,581,102	1,516,266	383,170	-	-	-
Intermediate sources	34	-	-	-	-	-	-	-
State sources	17,953,896	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	83,858	-	158,269	15	-	-	-	255,000
Total receipts	18,065,103	2,269,681	1,739,371	1,516,281	383,170	-	-	255,000
Disbursements:								
Instruction	11,719,089	-	-	-	-	-	305,789	-
Support services	5,201,529	-	1,203,683	1,637,955	228,851	-	-	-
Noninstructional services	187,640	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	865,274	-	-	-	-	965,212
Debt service	-	2,659,085	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	17,108,258	2,659,085	2,068,957	1,637,955	228,851	-	305,789	965,212
Excess (deficiency) of receipts over disbursements	956,845	(389,404)	(329,586)	(121,674)	154,319	-	(305,789)	(710,212)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,997,500
Sale of capital assets	119	-	9,015	-	-	-	-	-
Transfers in	-	-	-	-	-	75,000	-	-
Transfers out	-	-	-	-	(75,000)	-	-	-
Total other financing sources (uses)	119	-	9,015	-	(75,000)	75,000	-	1,997,500
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	956,964	(389,404)	(320,571)	(121,674)	79,319	75,000	(305,789)	1,287,288
Cash and investments - ending	\$ 2,228,271	\$ 1,286,920	\$ 258,280	\$ 536,963	\$ 843,231	\$ 225,000	\$ 573,574	\$ 1,370,797

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	School Lunch	Prepaid Food	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Extra- Curricular Activities
Cash and investments - beginning	\$ 401,580	\$ (13,363)	\$ 128,883	\$ -	\$ 93	\$ 967	\$ 616
Receipts:							
Local sources	375,866	-	182,118	-	-	-	-
Intermediate sources	-	-	-	-	-	131	-
State sources	10,908	-	117,860	-	-	-	-
Federal sources	792,697	-	-	-	-	-	-
Other receipts	2,538	406,182	94	-	-	-	-
Total receipts	1,182,009	406,182	300,072	-	-	131	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	258,113	-	-	-	-
Noninstructional services	1,359,584	-	-	-	-	-	-
Facilities acquisition and construction	30,398	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	357,140	-	-	-	-	-
Total disbursements	1,389,982	357,140	258,113	-	-	-	-
Excess (deficiency) of receipts over disbursements	(207,973)	49,042	41,959	-	-	131	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(207,973)	49,042	41,959	-	-	131	-
Cash and investments - ending	\$ 193,607	\$ 35,679	\$ 170,842	\$ -	\$ 93	\$ 1,098	\$ 616

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	ECA Reimbursable Activities	Pepsi - ECA Field Trips	John Ulen Scholarship Fund	Alumni Class of 56 Scholarship	MEP Scholarship	SHS Alumni Association	Ivan & Faye Rogers Scholarship
Cash and investments - beginning	\$ 1,927	\$ 14,645	\$ 16,776	\$ 12,114	\$ 43,667	\$ 500	\$ 1,654
Receipts:							
Local sources	2,799	11,309	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	9,176	-	-	-	-	-
Total receipts	2,799	20,485	-	-	-	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	13,154	-	-	-	-	-
Noninstructional services	12,732	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,984	1,000	-	-	1,654
Total disbursements	12,732	13,154	1,984	1,000	-	-	1,654
Excess (deficiency) of receipts over disbursements	(9,933)	7,331	(1,984)	(1,000)	-	-	(1,654)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,933)	7,331	(1,984)	(1,000)	-	-	(1,654)
Cash and investments - ending	\$ (8,006)	\$ 21,976	\$ 14,792	\$ 11,114	\$ 43,667	\$ 500	\$ -

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Wilson Scholarship Fund	Mildred McNay Scholarship Fund	Band of Warriors Winter Guard	Kids First / We Care	Washington National Stock	Elementary Mentor Fund	Excellence Education Donation
Cash and investments - beginning	\$ 25	\$ 350	\$ 1,814	\$ 24,004	\$ 73	\$ 38	\$ 39
Receipts:							
Local sources	-	-	-	32,286	22	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	197	-	-	-
Total receipts	-	-	-	32,483	22	-	-
Disbursements:							
Instruction	-	-	-	26,910	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	350	-	-	-	-	-
Total disbursements	-	350	-	26,910	-	-	-
Excess (deficiency) of receipts over disbursements	-	(350)	-	5,573	22	-	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(350)	-	5,573	22	-	-
Cash and investments - ending	\$ 25	\$ -	\$ 1,814	\$ 29,577	\$ 95	\$ 38	\$ 39

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Classroom Teacher Grants	Collier - Warriorette Basketball	Donations for School Buildings	Student School Lunch Donations	Formative Assessment	Instruction Support	Tech Prep
Cash and investments - beginning	\$ (138)	\$ 171	\$ 77,577	\$ 164	\$ -	\$ 223	\$ (34,253)
Receipts:							
Local sources	9,092	-	16,134	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	33,533	-	97,937
Federal sources	-	-	-	-	-	-	-
Other receipts	1,820	-	-	-	-	-	-
Total receipts	10,912	-	16,134	-	33,533	-	97,937
Disbursements:							
Instruction	2,092	-	3,566	-	33,533	-	63,684
Support services	25	-	4,606	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	65,315	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	2,117	-	73,487	-	33,533	-	63,684
Excess (deficiency) of receipts over disbursements	8,795	-	(57,353)	-	-	-	34,253
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,795	-	(57,353)	-	-	-	34,253
Cash and investments - ending	\$ 8,657	\$ 171	\$ 20,224	\$ 164	\$ -	\$ 223	\$ -

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Early Childhood Intervention (First Steps)	Medicaid Reimbursement	Secured Schools Safety Grant	Lilly - Comprehensive Counsel	School Technology	Career and Technical Performance Grant	Higher Ability Grant 17/18
Cash and investments - beginning	\$ -	\$ -	\$ (49,994)	\$ -	\$ 45,613	\$ -	\$ 19,650
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	12,971	15,008	99,997	-	6,308	5,895	35,116
Federal sources	-	-	-	-	13,272	14,774	30,000
Other receipts	-	-	-	-	82,448	-	-
Total receipts	<u>12,971</u>	<u>15,008</u>	<u>99,997</u>	<u>-</u>	<u>102,028</u>	<u>20,669</u>	<u>65,116</u>
Disbursements:							
Instruction	10,784	2,021	-	-	-	-	45,017
Support services	-	-	-	-	20,460	-	24,894
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	50,000	-	285,205	20,669	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>10,784</u>	<u>2,021</u>	<u>50,000</u>	<u>-</u>	<u>305,665</u>	<u>20,669</u>	<u>69,911</u>
Excess (deficiency) of receipts over disbursements	<u>2,187</u>	<u>12,987</u>	<u>49,997</u>	<u>-</u>	<u>(203,637)</u>	<u>-</u>	<u>(4,795)</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2,187</u>	<u>12,987</u>	<u>49,997</u>	<u>-</u>	<u>(203,637)</u>	<u>-</u>	<u>(4,795)</u>
Cash and investments - ending	<u>\$ 2,187</u>	<u>\$ 12,987</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ (158,024)</u>	<u>\$ -</u>	<u>\$ 14,855</u>

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	IU Mentor Teacher Training	Work Ethic Grant	Senator David Ford Technology	Title I 2016-17	Title I 2017-18	Title I 2015-2016	Spec Ed Part B, Section 611 -FY2019
Cash and investments - beginning	\$ 240	\$ -	\$ -	\$ -	\$ -	\$ (97,603)	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	8,194	-	-	-	-	-
Federal sources	-	-	-	424,280	-	342,595	91,715
Other receipts	-	-	-	-	-	-	-
Total receipts	-	8,194	-	424,280	-	342,595	91,715
Disbursements:							
Instruction	-	-	-	487,966	-	165,032	94,982
Support services	-	8,194	-	2,250	-	75,283	-
Noninstructional services	-	-	-	5,477	-	4,577	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	8,194	-	495,693	-	244,892	94,982
Excess (deficiency) of receipts over disbursements	-	-	-	(71,413)	-	97,703	(3,267)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(71,413)	-	97,703	(3,267)
Cash and investments - ending	\$ 240	\$ -	\$ -	\$ (71,413)	\$ -	\$ 100	\$ (3,267)

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2017

	Spec Ed Part B, Section 611 -FY2017	Spec Ed Part B, Section 611 -FY2018	Spec Ed Part B, Section 619 -FY2019	Spec Ed Part B, Section 619 -FY2017	Spec Ed Part B, Section 619 -FY2018	Americorps Grants	21st Century Community Learning Center 2017-18
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (19,530)	\$ (12,032)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	461,122	-	32,788	12,889	-	150,111	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>461,122</u>	<u>-</u>	<u>32,788</u>	<u>12,889</u>	<u>-</u>	<u>150,111</u>	<u>-</u>
Disbursements:							
Instruction	527,016	-	32,793	20,496	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	166,611	(12,032)
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>527,016</u>	<u>-</u>	<u>32,793</u>	<u>20,496</u>	<u>-</u>	<u>166,611</u>	<u>(12,032)</u>
Excess (deficiency) of receipts over disbursements	<u>(65,894)</u>	<u>-</u>	<u>(5)</u>	<u>(7,607)</u>	<u>-</u>	<u>(16,500)</u>	<u>12,032</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(65,894)</u>	<u>-</u>	<u>(5)</u>	<u>(7,607)</u>	<u>-</u>	<u>(16,500)</u>	<u>12,032</u>
Cash and investments - ending	<u>\$ (65,894)</u>	<u>\$ -</u>	<u>\$ (5)</u>	<u>\$ (7,607)</u>	<u>\$ -</u>	<u>\$ (36,030)</u>	<u>\$ -</u>

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2017

	21st Century Community Learning Center 2015-16	21st Century Community Learning Center 2016-17	Improving Teacher Quality, No Child Left, Title II, Part A	Title II, Part A - Digiaplooza	Rural Schools and Low Income Program - Pass Through State	Payroll Withholdings	Totals
Cash and investments - beginning	\$ (4,200)	\$ -	\$ (21,245)	\$ (8,738)	\$ -	\$ 26,721	\$ 6,620,931
Receipts:							
Local sources	-	-	-	-	-	-	6,407,160
Intermediate sources	-	-	-	-	-	-	165
State sources	-	-	-	-	-	-	18,397,623
Federal sources	4,200	138,981	69,952	15,000	-	-	2,594,376
Other receipts	-	-	-	-	-	5,526,608	6,526,205
Total receipts	4,200	138,981	69,952	15,000	-	5,526,608	33,925,529
Disbursements:							
Instruction	-	-	-	-	-	-	13,540,770
Support services	-	-	61,807	6,262	-	-	8,747,066
Noninstructional services	-	161,584	-	-	-	-	1,886,173
Facilities acquisition and construction	-	-	-	-	-	-	2,282,073
Debt service	-	-	-	-	-	-	2,659,085
Nonprogrammed charges	-	-	-	-	-	5,835,029	6,197,157
Total disbursements	-	161,584	61,807	6,262	-	5,835,029	35,312,324
Excess (deficiency) of receipts over disbursements	4,200	(22,603)	8,145	8,738	-	(308,421)	(1,386,795)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	1,997,500
Sale of capital assets	-	-	-	-	-	-	9,134
Transfers in	-	-	-	-	-	-	75,000
Transfers out	-	-	-	-	-	-	(75,000)
Total other financing sources (uses)	-	-	-	-	-	-	2,006,634
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,200	(22,603)	8,145	8,738	-	(308,421)	619,839
Cash and investments - ending	\$ -	\$ (22,603)	\$ (13,100)	\$ -	\$ -	\$ (281,700)	\$ 7,240,770

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/Severance Bond	Construction
Cash and investments - beginning	\$ 2,228,271	\$ 1,286,920	\$ 258,280	\$ 536,963	\$ 843,231	\$ 225,000	\$ 573,574	\$ 1,370,797
Receipts:								
Local sources	41,601	2,948,197	2,148,900	2,317,285	263,917	-	-	-
Intermediate sources	37	-	-	-	-	-	-	-
State sources	18,207,219	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	1,113	-	(126,362)	-	-	-	-	-
Total receipts	18,249,970	2,948,197	2,022,538	2,317,285	263,917	-	-	-
Disbursements:								
Instruction	11,849,730	-	-	-	-	-	378,380	-
Support services	5,656,264	-	1,297,611	1,652,244	171,126	-	-	-
Noninstructional services	368,671	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	503,680	30	-	-	-	997,294
Debt service	-	2,689,573	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	17,874,665	2,689,573	1,801,291	1,652,274	171,126	-	378,380	997,294
Excess (deficiency) of receipts over disbursements	375,305	258,624	221,247	665,011	92,791	-	(378,380)	(997,294)
Other financing sources (uses):								
Sale of capital assets	360	-	11	-	-	-	-	-
Transfers in	-	-	-	-	-	150,000	-	-
Transfers out	-	-	-	-	(150,000)	-	-	-
Total other financing sources (uses)	360	-	11	-	(150,000)	150,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	375,665	258,624	221,258	665,011	(57,209)	150,000	(378,380)	(997,294)
Cash and investments - ending	\$ 2,603,936	\$ 1,545,544	\$ 479,538	\$ 1,201,974	\$ 786,022	\$ 375,000	\$ 195,194	\$ 373,503

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	School Lunch	Prepaid Food	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Extra- Curricular Activities
Cash and investments - beginning	\$ 193,607	\$ 35,679	\$ 170,842	\$ -	\$ 93	\$ 1,098	\$ 616
Receipts:							
Local sources	479,487	-	207,201	855,078	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	11,007	-	113,400	-	-	-	-
Federal sources	1,069,080	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	867	410,092	-	-	-	-	-
Total receipts	1,560,441	410,092	320,601	855,078	-	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	296,504	-	-	-	-
Noninstructional services	1,394,587	-	-	-	-	-	-
Facilities acquisition and construction	4,724	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	457,565	-	660,000	-	-	-
Total disbursements	1,399,311	457,565	296,504	660,000	-	-	-
Excess (deficiency) of receipts over disbursements	161,130	(47,473)	24,097	195,078	-	-	-
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	161,130	(47,473)	24,097	195,078	-	-	-
Cash and investments - ending	\$ 354,737	\$ (11,794)	\$ 194,939	\$ 195,078	\$ 93	\$ 1,098	\$ 616

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	ECA Reimbursable Activities	Pepsi - ECA Field Trips	John Ulen Scholarship Fund	Alumni Class of 56 Scholarship	MEP Scholarship	SHS Alumni Association	Ivan & Faye Rogers Scholarship
Cash and investments - beginning	\$ (8,006)	\$ 21,976	\$ 14,792	\$ 11,114	\$ 43,667	\$ 500	\$ -
Receipts:							
Local sources	20,357	13,386	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	2,000	-	-	-	-	-
Total receipts	20,357	15,386	-	-	-	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	10,626	-	-	-	-	-
Noninstructional services	21,365	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,910	1,000	1,000	500	-
Total disbursements	21,365	10,626	1,910	1,000	1,000	500	-
Excess (deficiency) of receipts over disbursements	(1,008)	4,760	(1,910)	(1,000)	(1,000)	(500)	-
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	(1,008)	4,760	(1,910)	(1,000)	(1,000)	(500)	-
Cash and investments - ending	\$ (9,014)	\$ 26,736	\$ 12,882	\$ 10,114	\$ 42,667	\$ -	\$ -

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Wilson Scholarship Fund	Mildred McNay Scholarship Fund	Band of Warriors Winter Guard	Kids First / We Care	Washington National Stock	Elementary Mentor Fund	Excellence Education Donation
Cash and investments - beginning	\$ 25	\$ -	\$ 1,814	\$ 29,577	\$ 95	\$ 38	\$ 39
Receipts:							
Local sources	-	-	-	31,623	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	31,623	-	-	-
Disbursements:							
Instruction	-	-	-	27,859	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	27,859	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	3,764	-	-	-
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	-	-	-	3,764	-	-	-
Cash and investments - ending	\$ 25	\$ -	\$ 1,814	\$ 33,341	\$ 95	\$ 38	\$ 39

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Classroom Teacher Grants	Collier - Warriorette Basketball	Donations for School Buildings	Student School Lunch Donations	Formative Assessment	Instruction Support	Tech Prep
Cash and investments - beginning	\$ 8,657	\$ 171	\$ 20,224	\$ 164	\$ -	\$ 223	\$ -
Receipts:							
Local sources	7,795	-	3,425	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	30,939	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	3,068	-	-	-	-	-	-
Total receipts	10,863	-	3,425	-	30,939	-	-
Disbursements:							
Instruction	17,530	-	14,333	-	30,939	-	2,200
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	17,530	-	14,333	-	30,939	-	2,200
Excess (deficiency) of receipts over disbursements	(6,667)	-	(10,908)	-	-	-	(2,200)
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	(6,667)	-	(10,908)	-	-	-	(2,200)
Cash and investments - ending	\$ 1,990	\$ 171	\$ 9,316	\$ 164	\$ -	\$ 223	\$ (2,200)

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Early Childhood Intervention (First Steps)	Medicaid Reimbursement	Secured Schools Safety Grant	Lilly - Comprehensive Counsel	School Technology	Career and Technical Performance Grant	Higher Ability Grant 17/18
Cash and investments - beginning	\$ 2,187	\$ 12,987	\$ 3	\$ -	\$ (158,024)	\$ -	\$ 14,855
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	12,900	3,381	-	-	7,770	17,752	35,778
Federal sources	-	-	-	263,700	27	-	-
Temporary loans	-	-	-	-	267,700	-	-
Other receipts	-	-	-	-	227,738	-	-
Total receipts	12,900	3,381	-	263,700	503,235	17,752	35,778
Disbursements:							
Instruction	4,289	3,805	-	-	-	-	34,661
Support services	-	-	-	23,700	37,382	-	5,106
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	44,119	-	264,073	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	4,289	3,805	44,119	23,700	301,455	-	39,767
Excess (deficiency) of receipts over disbursements	8,611	(424)	(44,119)	240,000	201,780	17,752	(3,989)
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	8,611	(424)	(44,119)	240,000	201,780	17,752	(3,989)
Cash and investments - ending	\$ 10,798	\$ 12,563	\$ (44,116)	\$ 240,000	\$ 43,756	\$ 17,752	\$ 10,866

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	IU Mentor Teacher Training	Work Ethic Grant	Senator David Ford Technology	Title I 2016-17	Title I 2017-18	Title I 2015-2016	Spec Ed Part B, Section 611 -FY2019
Cash and investments - beginning	\$ 240	\$ -	\$ -	\$ (71,413)	\$ -	\$ 100	\$ (3,267)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	2,303	-	-	-	-	-
Federal sources	-	-	-	190,326	377,967	-	2,660
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	2,303	-	190,326	377,967	-	2,660
Disbursements:							
Instruction	-	-	-	117,883	349,222	-	(607)
Support services	-	3,930	4,565	-	36,599	-	-
Noninstructional services	-	-	-	1,030	33,075	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	3,930	4,565	118,913	418,896	-	(607)
Excess (deficiency) of receipts over disbursements	-	(1,627)	(4,565)	71,413	(40,929)	-	3,267
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	-	(1,627)	(4,565)	71,413	(40,929)	-	3,267
Cash and investments - ending	\$ 240	\$ (1,627)	\$ (4,565)	\$ -	\$ (40,929)	\$ 100	\$ -

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Spec Ed Part B, Section 611 -FY2017	Spec Ed Part B, Section 611 -FY2018	Spec Ed Part B, Section 619 -FY2019	Spec Ed Part B, Section 619 -FY2017	Spec Ed Part B, Section 619 -FY2018	Americorps Grants	21st Century Community Learning Center 2017-18
Cash and investments - beginning	\$ (65,894)	\$ -	\$ (5)	\$ (7,607)	\$ -	\$ (36,030)	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	141,465	458,122	44	20,871	33,663	142,900	118,679
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	141,465	458,122	44	20,871	33,663	142,900	118,679
Disbursements:							
Instruction	75,571	509,295	39	13,266	33,663	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	150,530	127,592
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	75,571	509,295	39	13,266	33,663	150,530	127,592
Excess (deficiency) of receipts over disbursements	65,894	(51,173)	5	7,605	-	(7,630)	(8,913)
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	65,894	(51,173)	5	7,605	-	(7,630)	(8,913)
Cash and investments - ending	\$ -	\$ (51,173)	\$ -	\$ (2)	\$ -	\$ (43,660)	\$ (8,913)

SCOTT COUNTY SCHOOL DISTRICT 2
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	21st Century Community Learning Center 2015-16	21st Century Community Learning Center 2016-17	Improving Teacher Quality, No Child Left, Title II, Part A	Title II, Part A - Digiaplooza	Rural Schools and Low Income Program - Pass Through State	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (22,603)	\$ (13,100)	\$ -	\$ -	\$ (281,700)	\$ 7,240,770
Receipts:							
Local sources	-	-	-	-	-	-	9,338,252
Intermediate sources	-	-	-	-	-	-	37
State sources	-	-	-	-	-	-	18,442,449
Federal sources	-	22,603	79,613	-	15,928	-	2,937,648
Temporary loans	-	-	-	-	-	-	267,700
Other receipts	-	-	-	-	-	4,272,681	4,791,197
Total receipts	-	22,603	79,613	-	15,928	4,272,681	35,777,283
Disbursements:							
Instruction	-	-	-	-	-	-	13,462,058
Support services	-	-	74,456	-	21,237	-	9,291,350
Noninstructional services	-	-	-	-	-	-	2,096,850
Facilities acquisition and construction	-	-	-	-	-	-	1,813,920
Debt service	-	-	-	-	-	-	2,689,573
Nonprogrammed charges	-	-	-	-	-	3,776,151	4,898,126
Total disbursements	-	-	74,456	-	21,237	3,776,151	34,251,877
Excess (deficiency) of receipts over disbursements	-	22,603	5,157	-	(5,309)	496,530	1,525,406
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	371
Transfers in	-	-	-	-	-	-	150,000
Transfers out	-	-	-	-	-	-	(150,000)
Total other financing sources (uses)	-	-	-	-	-	-	371
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	22,603	5,157	-	(5,309)	496,530	1,525,777
Cash and investments - ending	\$ -	\$ -	\$ (7,943)	\$ -	\$ (5,309)	\$ 214,830	\$ 8,766,547

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SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF LEASES AND DEBT
June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Apple	computer hardware-students	\$ 301,965	8/1/2014	8/1/2018
Apple	computer hardware-teachers	43,744	5/22/2016	7/15/2019
Pitney Bowes	postage machine	1,260	6/1/2015	9/1/2020
Van Ausdall & Farrar	copier contracts	78,480	2/1/2014	2/1/2019
Scott County School District 2 Building Corporation	School Improvements	213,295	7/1/2010	1/1/2020
Scott County School District 2 Middle School Building Corporation	Renovation & Improvements SMS	186,500	7/15/2018	1/15/2026
Scott County School District 2 Middle School Building Corporation	2001 Refunding Bond Issue	1,431,000	7/15/2017	1/15/2025
Scott County School District 2 Middle School Building Corporation	Renovation & Improvements SHS	<u>74,000</u>	7/15/2017	1/15/2026
Total governmental activities		<u>2,330,244</u>		
Total of annual lease payments		<u>\$ 2,330,244</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds		HVAC at SHS	\$ 2,000,000	\$ 130,000
General obligation bonds		Misc projects at all schools	500,000	507,030
Notes and loans payable		Common School 2013	25,380	25,507
Notes and loans payable		Common School 2017	<u>133,850</u>	<u>134,519</u>
Total governmental activities			<u>2,659,230</u>	<u>797,056</u>
Totals			<u>\$ 2,659,230</u>	<u>\$ 797,056</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 2, SCOTT COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Scott County School District 2's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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. Except as discussed below, 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2018-009 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Child Nutrition Cluster* 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 Child Nutrition Cluster for the period of July 1, 2016 to June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2016 to June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, and 2018-010. Our opinion on each major federal program is not modified with respect to these matters.

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

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 the Uniform Guidance, 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.


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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002, 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, and 2018-010, that we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

April 24, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

SCOTT COUNTY SCHOOL DISTRICT 2
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2017 and 2018

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	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY 16/17	\$ -	\$ 153,471	\$ -	\$ -
School Breakfast			FY 17/18	-	-	-	214,353
Total - School Breakfast Program				-	153,471	-	214,353
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch			FY 16/17	-	620,269	-	-
School Lunch - Commodities			FY 16/17	-	98,283	-	-
School Lunch			FY 17/18	-	-	-	830,039
School Lunch - Commodities			FY 17/18	-	-	-	75,648
Total - National School Lunch Program				-	718,552	-	905,687
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Program			FY 16/17	-	18,956	-	-
Summer Food Program			FY 17/18	-	-	-	24,688
Total - Summer Food Service Program for Children				-	18,956	-	24,688
Total - Child Nutrition Cluster				-	890,979	-	1,144,728
Total - Department of Agriculture				-	890,979	-	1,144,728
<u>Department of Labor</u>							
WIOA Cluster							
WIOA Dislocated Worker Formula Grants	Indiana Department of Workforce Development	17.278					
Work Ethic			AA-28315-16-SS-A-18	-	8,194	-	2,918
Total - WIOA Cluster				-	8,194	-	2,918
Total - Department of Labor				-	8,194	-	2,918
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Part B 611 FY16			14216-136-PN01	-	91,715	-	2,660
Part B 611 FY17			14217-138-PN01	-	461,122	-	141,465
Part B 611 FY18			18611-138-PN01	-	-	-	458,122
Total - Special Education Grants to States				-	552,837	-	602,247
Special Education Preschool Grants	Indiana Department of Education	84.173					
Part B 619 FY16			45716-136-PN01	-	32,788	-	44
Part B 619 FY 17			45717-138-PN01	-	12,889	-	20,871

SCOTT COUNTY SCHOOL DISTRICT 2
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2017 and 2018

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	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Part B 619 FY18			18619-138-PN01	-	-	-	33,663
Total - Special Education Preschool Grants				-	45,677	-	54,578
Total - Special Education Cluster (IDEA)				-	598,514	-	656,825
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2015-16			S010A150014	-	352,913	-	-
Title I 2016-17			S010A160014	-	413,961	-	190,326
Title I 2017-18			S010A170014	-	-	-	377,967
Total - Title I Grants to Local Educational Agencies				-	766,874	-	568,293
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287					
21st Century 2016			S287C140014	-	4,200	-	-
21st Century 2017			S287C150014	-	138,981	-	22,603
21st Century 2018			S287C160014	-	-	-	110,716
Total - Twenty-First Century Community Learning Centers				-	143,181	-	133,319
Rural Education	Indiana Department of Education	84.358					
Rural Low Income			S358B170014	-	-	-	15,928
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title 2 Part A 2014-16			S367A150013	-	39,741	-	-
Title 2 Part A 2015-17			S367A160013	-	45,211	-	69,762
Title 2 Part A 2016-18			S367A170013	-	-	-	9,851
Total - Supporting Effective Instruction State Grants				-	84,952	-	79,613
Total - Department of Education				-	1,593,521	-	1,453,978
<u>Corporation for National and Community Service</u>							
AmeriCorps	Indiana Department of Workforce Development	94.006					
AmeriCorps Grant			AF 5361/Contract #14394	-	41,141	-	-
AmeriCorps Grant			AF 6361/Contract #17235	-	102,065	-	74,156
AmeriCorps Grant			AF 7361/Contract #22286	-	-	-	68,128
Total - Corporation for National and Community Service				-	143,206	-	142,284
Total federal awards expended				\$ -	\$ 2,635,900	\$ -	\$ 2,743,908

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

SCOTT COUNTY SCHOOL DISTRICT 2
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
	Child Nutrition Cluster	Qualified
	Special Education Cluster (IDEA)	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2018-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit report.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). No evidence was presented for audit that indicated someone other than the person entering the federal grant information into the Indiana Gateway for Government Units financial reporting system's online data collection platform was reviewing the information for completeness and accuracy.

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

Context

The SEFA contained the following errors:

1. All grants in fiscal year 2016-2017 were entered using the local name only and were all shown as direct grants. The federal grantor agency, pass-through entity name, cluster name (if applicable), program name, CFDA number, and pass-through entity identification number were not properly identified for any grant.
2. In 2016-2017, six nonfederal grants were incorrectly included on the SEFA, resulting in an overstatement of expenditures in the amount of \$232,834.
3. Thirteen grants were incorrectly reported, resulting in an overstatement of expenditures in the amount of \$710,963.

The net amount of errors resulted in an overstatement of federal expenditures in the amount of \$943,797.

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

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

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

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

SCOTT COUNTY SCHOOL DISTRICT 2
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.

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-002

Subject: Title I Grants to Local Educational Agencies - Procurement and Suspension and Debarment

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): S010A150014, S010A160014,
S010A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-007.

Condition

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

The School Corporation did not have proper controls in place to ensure that federal laws, state laws, and the School Corporation's "Procurement - Federal Grants/Funds" policy were followed.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Procurement and Suspension and Debarment 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 2018-003

Subject: Special Education Cluster (IDEA) - Matching, Level of Effort, Earmarking

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): 14217-138-PN01, 18611-138-PN01,
45717-138-PN01, 18619-138-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

Condition

The School Corporation had established a control environment in order to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking - Maintenance of Effort (MOE) requirements. One employee prepares the MOE report, while another reviews and approves the report prior to submission. However, there was no evidence of an oversight, review, or approval process for either year of the audit period.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of supporting documentation prevented the determination of the School Corporation's system of internal controls related to the MOE requirements.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management did not retain signed copies of the MOE reports that documented the oversight, review, or approval process.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls and retain supporting documentation related to the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

FINDING 2018-004

Subject: School Breakfast Program, National School Lunch Program - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16/17, FY 17/18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

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

Repeat Finding

This is a repeat of Finding 2016-003 from the immediately prior audit report.

Condition

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

The School Corporation had not designed or implemented a system of internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to 3 months average expenditures in accordance with cash management requirements. There was no oversight, review, or monitoring of the cash balances.

The net cash resources for the School Lunch fund exceeded the 3 months average expenditures for 2 of the 24 months during the audit period.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The non-compliance was isolated to the months of July 2016 and June 2018.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:

. . .

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

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

Cause

Management had not designed or implemented an effective internal control system that would have ensured compliance with the grant agreement and the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Cash Management compliance requirement could have resulted in a loss of funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective internal control system to ensure compliance and comply with the grant agreement and the Cash Management 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 2018-005

Subject: School Breakfast Program, National School Lunch Program - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16/17, FY 17/18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

Condition

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

Of the free and reduced price applications examined during fiscal year 2016-2017, six did not include any adult household members, and were therefore incomplete.

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

Context

The lack of effective controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 245.6(a)(6) states in part: "*Household members and social security numbers*. The application must require applicants to provide the names of all household members. . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Eligibility compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Eligibility compliance 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 a system of internal controls to ensure compliance and comply with the grant agreement and 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.

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

FINDING 2018-006

Subject: Child Nutrition Cluster - 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): FY 16/17, FY 17/18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-004.

Condition

Management of the School Corporation had not established an effective internal control system to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation did not have internal controls in place to ensure the purchasing method used complied with federal requirements. The School Corporation did not require obtaining an adequate number of quotes for all small purchases with estimated costs above \$3,500. Eight purchases of like-kind items exceeding \$3,500 were made without obtaining an adequate number of price or rate quotations.

Suspension and Debarment

There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs. The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a covered transaction.

Context

The lack of effective controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement. . . .

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

2 CFR 180.300 states:

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in a loss of funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

SCOTT COUNTY SCHOOL DISTRICT 2
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 2018-007

Subject: School Breakfast Program, National School Lunch Program - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16/17, FY 17/18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not designed a system of internal controls to ensure that financial activity derived from student meals were properly recorded in the School Lunch fund. One employee prepared the monthly transfer from the Prepaid Food fund to the School Lunch fund and posted the receipt of the monthly program income into the School Lunch fund. An oversight, review, or approval process had not been established.

Transfers from the Prepaid Food fund to the School Lunch fund did not agree to the monthly income reports from the School Corporation's food service software for 18 of the 22 transfers selected for testing.

Context

The lack of effective controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

- (12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

7 CFR 210.14(c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

Cause

Management had not developed a system of internal controls that provided proper oversight, review, and approval over the Program Income compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Program Income compliance requirement could have resulted in a loss of funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective internal control system to ensure compliance and comply with the grant agreement and the Program Income compliance requirement.

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 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2018-008

Subject: Child Nutrition Cluster - 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): FY 16/17, FY 17/18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-005.

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The School Corporation did not have proper oversight and monitoring of the preparation and reporting of the Monthly Sponsor Claims (claim for reimbursement) and the Annual Financial Report (AFR).

The amounts reported in the income sections of the AFR for both fiscal years and the amounts reported in the expense section for fiscal year 2017-2018 did not agree with the School Corporation's financial records. For both fiscal years, the beginning and ending balances reported in the account balance section of the AFR did not agree with the balances of the School Lunch fund per the fund report.

Context

The lack of effective controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:

. . .

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

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

Management had not developed a system of internal controls that that would have insured compliance with the grant agreement and the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Reporting compliance requirement could have resulted in a loss of funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and comply with 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 2018-009

Subject: School Breakfast Program, National School Lunch Program - Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16/17, FY 17/18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

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

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

The Verification Collection Reports for fiscal years 2016-2017 and 2017-2018 indicated that 18 and 11 applications, respectively, were verified; however, documentation supporting the verification process and which applications were actually reviewed was not available for audit.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 245.6a(h) states in part:

"Verification reporting and recordkeeping requirements. By February 1, each local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS. . . . All verified applications must be readily retrievable on an individual school basis and include all documents submitted by the household for the purpose of confirming eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission. All relevant correspondence between the households selected for verification and the school or local educational agency must be retained. Local educational agencies are encouraged to collect and report any or all verification data elements before the required dates."

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. . . ."

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

Cause

The School Corporation had not developed a system of internal controls to ensure compliance and that documentation was maintained and made available for audit related to the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls and ensure that documentation is maintained and made available for audit related to the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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

FINDING 2018-010

Subject: National School Lunch Program - 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): FY 16/17, FY 17/18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-006.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

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

The Paid Lunch Equity Calculator for fiscal year 2017-2018 indicated a required weighted average paid lunch price of \$2.30; however, the School Corporation only increased the price to \$2.25. After notification from the Indiana Department of Education, the price was increased to \$2.30 on October 3, 2017, and was effective as of January 2018.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to fiscal year 2017-2018, until January 2018 when the School Corporation adjusted its weighted average paid lunch price.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) Calculation procedures. Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . .

(3) *Average lunch price is lower than the reimbursement difference.* When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:

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

(i) 2 percent; and

(ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year.

(4) Price Adjustments—

(i) *Maximum required price increase.* The maximum annual average price increase required under this paragraph shall not exceed ten cents.

(ii) *Rounding of paid lunch prices.* Any school food authority may round the adjusted price of the paid lunches down to the nearest five cents.

(iii) *Optional price increases.* A school food authority may increase the average price by more than ten cents. . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance 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 a system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Views of Responsible Officials

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

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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 2

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal Year in Which the finding initially occurred: 2012-13

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Christy Corum

Contact Phone Number: 812-752-8921

Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

The 2014-15/2015-16 audit was concluded in Aug 2018; therefore, SCSD2 was unable to establish adequate controls to prevent, detect and correct errors found within the SEFA. As of today, the new business manager is developing a protocol to ensure that 1) the SEFA accurately identifies all federal grants received including CFDA # and pass-thru agency, 2) excludes non-federal grants, and 3) is reviewed by someone other than the person entering the information.

Anticipated Completion Date: August 2019

FINDING 2016-002

Fiscal Year in Which the finding initially occurred: 2012-13

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Subject: Child Nutrition Cluster – Allowable Costs/Cost Principles, Eligibility, Program Income, Special Tests and Provisions – Verification of Free & Reduced Price Applications (NSLP)

- 1) At the beginning of the 2017-18 school year, duties for F&R applications input were primarily the responsibility of the Food Service Director (FSD) with assistance during registration by the Student Services Assistant and/or other business office staff.*
- 2) Since split between two budgets, the Student Services Assistant established and began maintaining a personal activity log of the time devoted to Food Service activities paid from the 0800 School Lunch Operations Fund. This spreadsheet is kept on the Share 1 drive of the Business Office Server and is updated weekly and reviewed by Business Manager monthly.*

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- 3) **Student Service Assistant reviews daily student lunch account balances and advises Food Service Director and Cafeteria Managers of any negative account balances that need to be addressed. Business Manager reviews all adjustments made to student lunch accounts.**
- 4) **The procedure for recording transactions between the Prepaid Lunch Fund and School Lunch Operations Fund has been established and applied as follows:**

Daily Collection & Deposit of Funds

Collecting and depositing funds can be done 1) online on Harmony 2) at each school or 3) at the Business Office and are receipted into Skyward daily. Office payments tendered to the cash drawer are balanced once or twice a week.

Daily Recording of School Lunch Receipts

Each school's Cafeteria Manager takes those collections received at their building takes a daily deposit to the bank, then brings their Harmony Daily Deposit Report, copy of their deposit slip and the bank receipt to the Business Office to the Student Service Assistant who then receipts the deposit into Skyward to the 8400 Prepaid Lunch Fund and enters the transaction into Daily Deposit Spreadsheet located on the Shared 1 Business Office Server.

Monthly Transfer of Balances from Prepaid Fund to School Lunch Operations Fund

Skyward Prepaid Revenue Report is reconciled against Daily Deposit Spreadsheet. After the last school day of the month, the Cafeteria Report is populated by downloading end-of-month data from Harmony and reviewed by the Business Manager for accuracy. Once approved, the Sales by School for each location is entered into entered into Skyward to generate a check from 8400 Prepaid Lunch Fund into 0800 School Lunch Operations Fund.

- 5) **As of today, a process to establish of oversight of the verification of free and reduced process performed in November has not been established. Likewise, a procedure to reconcile the Prepaid Lunch Fund with individual student accounts has not been established.**

Anticipated Completion Date: November 2019

FINDING 2016-003

Fiscal Year in Which the finding initially occurred: 2012-13

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Subject: School Breakfast Program, NSLP – Cash Management

The 2014-15/2015-16 audit was concluded in Aug 2018; therefore, SCSD2 was unable to establish the protocol to address the finding until Fall of 2018. Food Service Director began reviewing month-end food service revenue and expenditures provided by the prior Business Manager to better monitor cash balance

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and avoid a balance in the School Lunch Fund that exceeded 3 month's average expenditure; however, as of today, this has not been consistently maintained.

Anticipated Completion Date: August 2019

FINDING 2016-004

Fiscal Year in Which the finding initially occurred: 2012-13

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Subject: Child Nutrition Cluster- Procurement, Suspension & Debarment

Due to the audit timing, Food Service Director was unable begin to create and review protocols with the assistance of the DOE Field Rep to make sure vendor suspension and debarment requirements were being fulfilled in time for the current audit period. As of today, Food Service Director calls our vendors and requests documentation and all vendors have passed the suspension and debarment of government programs kept in Sue's office and are being scanned and kept on Business office server.

Anticipated Completion Date: October 2018

FINDING 2016-005

Fiscal Year in Which the finding initially occurred: 2012-13

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Subject: Child Nutrition Cluster - Reporting

Food Service Director was to work with the DOE Field Consultant for training on proper completion of the Annual Financial Report. Due to the timing of the audit, this occurred after the current audit period. Report is submitted by Food Service Director annually to DOE and is signed by both FSD and Business Mgr and scanned to Business office server.

Anticipated Completion Date: October 2018

FINDING 2016-006

Fiscal Year in Which the finding initially occurred: 2012-13
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Sue Hart
Contact Phone Number: 812-752-8921

Subject: NSPL – Special Tests & Provisions – Paid Lunch Equity

Food Service Director began using PLE tool in 2016 to ensure appropriate increases were made to paid lunch prices. Paid lunch prices were raised by \$.10 for 2016-17; increased by \$.05 in May 2017 and \$.05 again in Oct 2017 for 2017-18, and most recently in July of 2018, the board approved an increase of \$.10 in paid lunch prices for 2018-19. While these adjustments have improved the paid lunch equity variance, our Board has been committed to approving only small incremental paid lunch price increases. Our goal is to continue to reduce the variance as required by the NSPL program.

Anticipated Completion Date: August 2018

FINDING 2016-007

Fiscal Year in Which the finding initially occurred: 2014-15
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Subject: Title I Grants to LEA – Procurement, Reporting

The 2014-15/2015-16 audit was concluded in Aug 2018; therefore, SCSD2 was unable to establish the protocol to address the finding until Fall of 2018. As of today, the following procedures were established in the 4th and 3th quarter, respectively, and have been maintained consistently

Procurement: Purchase Order entry form was modified in Fall 2018 to include field whereby Federal Program purchases over \$3500 must be submitted with documentation for 3 quotes and signed by the requisitioner before approval would be granted by school principal and subsequently by the Superintendent and/or Assistant Superintendent.

Reporting: The procedure was established in Aug 2018 that all monthly Title I reimbursement requests as well as the Annual Expenditure Reports were to be signed by two of three administrative positions (Superintendent, Title I Director or Business Manager) beginning with the 2016-17 school year.

Anticipated Completion Date: October 2018

FINDING 2016-008

Fiscal Year in Which the finding initially occurred: 2014-15
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

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Contact Person Responsible for Corrective Action: **Casey Brewster**
Contact Phone Number: **812-752-8921**

Subject: **Title I Grants to LEAs, Twenty First Century Comm. Learning Centers, Improving Teacher Quality State Grants – Special Tests & Provisions – Schoolwide Programs**

The 2014-15/2015-16 audit was concluded in Aug 2018; therefore, SCSD2 was unable to establish the protocol to address the finding until Fall of 2018. As of August 2018, the Superintendent and Title I Director established and began implementation of the procedure to sign-off on completed Comprehensive Needs Assessment, Comprehensive Plan and Annual Evaluation of the Schoolwide Program. The supporting documentation is collected and retained in the Title I Director's office prior to the October Data Collection Window.

Anticipated Completion Date: **August 2018**

FINDING 2016-009

Fiscal Year in Which the finding initially occurred: **2014-15**
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: **IDOE**
Contact Person Responsible for Corrective Action: **Casey Brewster**
Contact Phone Number: **812-752-8921**

Subject: **Title I Grants to LEA's – Special Tests & Provisions – Comparability**

Due to the timing of the 2012-2014 audit, SCSD2 was unaware of the finding and implement the corrective action plan by the October 2016 designated biennial Comparability Report for our LEA (which ends in 5). However, since that time, the protocol was established to have both the Title I Director and Business Manager review and sign-off on the biennial Comparability Report with documentation to be maintained in the Title I Director's office. The first opportunity to apply the protocol was October 2018

Anticipated Completion Date: **October 2018**

FINDING 2016-010

Fiscal Year in Which the finding initially occurred: **2014-15**
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: **IDOE**
Contact Person Responsible for Corrective Action: **Casey Brewster**
Contact Phone Number: **812-752-8921**

Subject: **Title I Grants to LEA's – Special Tests & Provisions – Annual Report Card, High School Graduation Rates**

The 2014-15/2015-16 audit was concluded in Aug 2018; therefore, SCSD2 was unable to establish the Compliance Requirement Document checklist. As of today, the checklist is currently being maintained by

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the Title I Director with supporting documentation retained in that office. This will include the annual Graduation Cohort Status Reports accessed through IN Learning Connection.

Anticipated Completion Date: August 2018

FINDING 2016-011

Fiscal Year in Which the finding initially occurred: 2014-15

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Casey Brewster

Contact Phone Number: 812-752-8921

Subject: Title I Grants to LEA's – Special Tests & Provisions – Assessment System Security

The 2014-15/2015-16 audit was concluded in Aug 2018; therefore, SCSD2 was unable to provide the administrative guidelines indicated in 2623.01 – Test Security Provisions for Statewide Assessments which requires retention and delivery of all IN Testing and Integrity Agreements from each school building to the district central office each year. As of today, however, the Corporate Test Coordinator (CTC) both 1) maintains and retains all associated documentation and 2) administers training for all corporate staff and provides one-on-one training with all individuals who administer, handle or have access to secure test materials. This training is documented by individually signed acknowledgements. Supporting documentation is maintained at the building level throughout the school year then ultimately delivered to the Central Office under the direction of the CTC for required retention time period.

Anticipated Completion Date: August 2019

FINDING 2016-012

Fiscal Year in Which the finding initially occurred: 2014-15

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Christy Corum

Contact Phone Number: 812-752-8921

Subject: Improving Teacher Quality State Grants – Period of Performance

The 2014-15/2015-16 audit was concluded in Aug 2018; therefore, SCSD2 was unable to implement the Corrective Action Plan for the 2016-18 audit period. However, as of today a monthly checklist has been created to accompany the submissions to assist the Business Manager and Superintendent when reviewing the reimbursement requests submission so that the period of performance requirement is taken into consideration and overspending risk is minimized. Additionally, the cycling of fund number was initiated after the Aug 2018 audit review to assist in the clarifying the final expenditure deadline.

Anticipated Completion Date: September 2018

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FINDING 2016-013

Fiscal Year in Which the finding initially occurred: **2014-15**
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: **IDOE**
Contact Person Responsible for Corrective Action: **Christy Corum**
Contact Phone Number: **812-752-8921**

Subject: **AmeriCorps – Internal Controls**

The 2014-15/2015-16 audit was concluded in Aug 2018; the meeting between SCSD2 and Scott County Partnership (SCP) staff had not yet occurred. After the meeting took place, protocol was established and included the monthly submission 4 reports to SCSD2 for review and monitoring. The Business Manager reviews and approves the submission documentation and the Deputy Treasurer processes the monthly reimbursement check. Grant funds are sent to SCSD2 and are receipted in by the Deputy Treasurer and signed by the Business Manager.

Anticipated Completion Date: **August 2018**

FINDING 2016-014


Fiscal Year in Which the finding initially occurred: **2014-15**
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: **IDOE**
Contact Person Responsible for Corrective Action: **Christy Corum**
Contact Phone Number: **812-752-8921**

Subject: **AmeriCorps - Reporting**

The 2014-15/2015-16 audit was concluded in Aug 2018; the meeting between SCSD2 and Scott County Partnership staff had not yet occurred. However, as of SEP 19 the reporting controls related to the grant agreement and compliance requirements had been established.

Four items are now submitted by SCP each month: A month-to-date detailed expense history allows monitoring of allowed activities for both the AmeriCorp portion and the match. Their system generated Periodic Expense Report (PER) provides year to date totals and budget variances as well as details on time and effort totals by their staff. Because we are now signing approval on the Requests for Funds, we are able to better monitor the flow, period of performance metrics and availability of grant funds. Lastly, the monthly match invoice from the SCP is sent and handled according to the internal controls indicated in 2016-013. All these measures combine to improve our fiscal oversight and timeliness of the disbursement we pay out as fiscal agents from their grant funding.

Anticipated Completion Date: **September 2018**


Christy Corum, Business Manager

4/17/2019

Date

Dr. Marc Slaton, Superintendent
Mr. Casey Brewster, Assistant Superintendent
Mrs. Christy C. Corum, Business Manager & Treasurer

375 East McClain Avenue
Scottsburg, IN 47170
Phone: 812-752-8921
Fax: 812-752-7592



Scott County School District 2

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Christy Corum

Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

A schedule will be prepared for use as a checklist to ensure the listing of federal awards have been compared back to the Funds Report from the accounting system and used in the preparation of the Schedule of Expenditures of Federal Awards (SEFA). Once completed by Business Office Manager or staff, the Business Manager sign upon review for completeness and accuracy then forward schedule to the Superintendent or Asst. Superintendent for final review and signature.

Anticipated Completion Date: August 2019

FINDING 2018-002

Contact Person Responsible for Corrective Action: Casey Brewster

Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An additional section will be added to PO Request forms requiring the presentation of three or more quotes for small purchases with estimated costs above \$3,500 or the signed acknowledgement of the requestor and the approver of estimated costs below \$3,500.

The Title I Director and Business Manager will ensure a Procurement Suspension and Debarment Compliance file is maintained and verified for vendors selected for procured products.

Anticipated Completion Date: June 2019

FINDING 2018-003

Contact Person Responsible for Corrective Action: Casey Brewster

Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Title I director will ensure that signed copies of the MOE reports that document the oversight, review and approval process are retained in the Director's office.

Anticipated Completion Date: June 2019

FINDING 2018-004

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

A monthly report will be provided by the Business Manager to the Food Service Director that shows monthly expenses and revenue to monitor the cash balance. This was initiated by the prior Business Manager but was not continued by the incoming Business Manager. This reporting will resume in June 2019 and starting for the 2019-20 the Food Service Director will perform the calculation every quarter and the Business Manager will approve.

Anticipated Completion Date: August 2019

FINDING 2018-005

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An internal control system has been implemented to ensure that Food Service Director maintains complete free and reduced priced meal applications to ensure that all relevant household members including all adult household members are also included on the application. The Student Service Assistant and/or the Business Manager will routinely monitor the free and reduced applications to ensure complete and accurate data is being used and maintain the review log.

Anticipated Completion Date: June 2018

FINDING 2018-006

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Food Service Director will review the requirements with the DOE Field Rep and attended training in June 2018. All of our vendors are done through HPS (Hospital Purchasing Services), which approves the vendor per the DOE requirements. HPS requires suspension and debarment certification as part of their contract. The Food Service will obtain 3 quotes for purchases over \$3500 and verify that vendors are not or have not been suspended or disbarred from participation in federal programs.

The Food Service Director and Business Manager will ensure a Procurement Suspension and Debarment Compliance file is maintained and verification through cooperative purchasing agents or signed certification by vendors selected for procured products are updated annually.

Anticipated Completion Date: August 2019

FINDING 2018-007

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An internal control system will be established between the Food Service Director, Student Services Assistant and Business manager to ensure appropriate recording, oversight, review and approval procedures are implemented and maintained. Transfers from the Prepaid Lunch fund to the School Lunch Fund will be reconciled with the monthly income reports.

Anticipated Completion Date: June 2019

FINDING 2018-008

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

An internal control system will be established to between the Food Service Director, Student Services Assistant and Business manager to ensure appropriate recording, oversight, review and approval procedures are implemented and maintained as related to the Monthly Sponsor Claim for Reimbursement, Annual Financial Report and the Verification Summary Reports for the School Lunch Fund.

The amounts reported in the Income Section of the Annual Financial Report the amounts reported in the Income and Expense Sections of the Annual Financial Report will be reconciled to ensure agreement with the School Corporation's financial records. The beginning and ending balances reported in the Account Balance section of the Annual Financial Report will be reconciled to agree with the balances of the School Lunch fund per the fund report.

Anticipated Completion Date: June 2019

FINDING 2018-009

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An internal control system will be established to ensure documentation pertaining to the Reporting and Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP) is maintained by the Food Service Director and made available for audit.

Anticipated Completion Date: June 2019

FINDING 2018-010

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Scott 2 is currently using the PLE tool and will continue to analyze. This procedure is on the DOE School Nutrition website as well as other procedures. The Food Service Director monitors this site to ensure all procedures are performed and will maintain the calculations for review. The Business Manager will review and approve the calculations and ensure Board of School Trustees are aware of any required pricing adjustments.

Anticipated Completion Date: June 2019


(Signature)

Business Manager/Treasurer

(Title)

4/22/2018

(Date)

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/>.