

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SCOTT COUNTY SCHOOL DISTRICT 1  
SCOTT COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
05/29/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathie Bowling Jami R. Parks	07-01-16 to 01-14-18 01-15-18 to 06-30-19
Superintendent of Schools	Robert Anderson (Vacant) Kenneth Kidd (acting) Trevor Jones	07-01-16 to 06-30-18 07-01-18 to 08-19-18 08-20-18 to 01-31-19 02-01-19 to 02-01-22
President of the School Board	Joie Bukowski Ryan Payne Kathy Morris Joie Bukowski	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



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

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Scott County School District 1 (School Corporation), which comprises the financial position and results of operations for the period of July 1, 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, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

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 25, 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 25, 2019



**STATE OF INDIANA**  
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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 1, SCOTT COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Scott County School District 1 (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated April 25, 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 items 2018-001 and 2018-002, that we consider to be material weaknesses.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

**Scott County School District 1's Response to Findings**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

April 25, 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.

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SCOTT COUNTY SCHOOL DISTRICT 1  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 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	\$ 3,072,889	\$ 8,328,115	\$ 8,930,275	\$ 169	\$ 2,470,898	\$ 8,606,844	\$ 8,822,327	\$ -	\$ 2,255,415
Debt Service	466,007	1,395,023	1,282,588	-	578,442	1,237,361	1,285,001	-	530,802
Retirement/Severance Bond Debt Service	56,692	156,477	144,477	-	68,692	142,933	144,052	-	67,573
Capital Projects	506,050	679,032	893,242	-	291,840	686,152	826,924	-	151,068
School Transportation	(9,747)	267,979	241,596	-	16,636	271,981	289,874	-	(1,257)
School Bus Replacement	76,790	3,513	-	-	80,303	14,555	-	-	94,858
Rainy Day	1,000,000	-	-	-	1,000,000	-	-	-	1,000,000
Retirement/Severance Bond	20,583	-	-	-	20,583	-	20,583	-	-
School Lunch	(23,952)	523,536	633,000	-	(133,416)	686,049	633,932	-	(81,299)
Textbook Rental	113,011	99,644	120,278	-	92,377	98,957	10,786	-	180,548
Levy Excess	25	-	-	-	25	-	-	-	25
Joint Services and Supply - Other	1,310	-	-	-	1,310	-	-	-	1,310
Educational License Plates	5,433	75	-	-	5,508	150	-	-	5,658
Lily Endowment Counseling Grant	-	30,000	18,359	-	11,641	381,800	289,285	-	104,156
Elementary Music Department Donation	294	-	-	-	294	-	-	-	294
Walmart Teacher of Year McIntosh	(73)	-	-	-	(73)	-	-	-	(73)
Walmart Teacher of Year Atkins/Plasse	144	-	-	-	144	-	-	-	144
Community Foundation Grants	1,859	499	2,179	-	179	550	556	-	173
Target Field Trip Grant	406	-	-	-	406	-	-	-	406
Box Top Fund AES	10,331	-	-	-	10,331	-	-	-	10,331
Kids First Fund	19,640	4,000	-	-	23,640	4,000	427	-	27,213
SSU "Candy Factory" Fund AMS	774	4,829	3,935	-	1,668	6,052	6,095	-	1,625
We Care Fund	-	26,649	26,649	-	-	24,630	24,630	-	-
Blessings in a Backpack	1,663	6,825	-	-	8,488	2,757	959	-	10,286
Formative Assessment	14,163	15,846	15,847	-	14,162	13,805	-	-	27,967
Teacher Quality Improvement Program	28,804	-	27,880	-	924	-	-	-	924
Secured Schools Safety Grant	(2,861)	-	3,765	-	(6,626)	-	-	-	(6,626)
School Technology	(8,007)	137,522	111,057	-	18,458	19,596	63,690	-	(25,636)
Career and Technical Performance Grant	-	3,420	-	-	3,420	3,689	-	-	7,109
Graduation Performance Award	20,000	-	-	-	20,000	-	-	-	20,000
Indiana School Academic Improvement Program (ISAIP)	-	38,998	49,965	-	(10,967)	-	-	-	(10,967)
Scott County Community Channel	13,721	-	15,018	20,894	19,597	-	16,706	12,240	15,131
Title I 2013-2014	1,758	-	-	-	1,758	-	-	-	1,758
Title I 2015-2016	(26,288)	144,556	118,268	-	-	-	-	-	-
Title I 2016-2017	-	205,728	227,977	-	(22,249)	144,949	156,580	-	(33,880)
Title I 2017-2018	-	-	-	-	-	209,192	222,377	-	(13,185)
Title I 2011-2012	(28,069)	-	-	-	(28,069)	-	-	-	(28,069)
Drug Free Schools	(6,530)	-	-	-	(6,530)	-	-	-	(6,530)
Other Federal Programs	1,129	-	-	-	1,129	-	-	-	1,129
21st Century Learning Center Grant 13-14	(1)	-	-	-	(1)	-	-	-	(1)
21st Century Learning Center Grant 14-15	18,128	-	-	-	18,128	-	-	-	18,128
21st CCLC	(30,488)	20,977	9,356	-	(18,867)	-	-	-	(18,867)
21st Century Learning Center	(15,790)	279,840	284,552	-	(20,502)	20,502	-	-	-
21st CCLC 17-18	-	-	34,755	-	(34,755)	245,903	278,714	-	(67,566)
21st CCLC 18-19	-	-	-	-	-	-	13,732	-	(13,732)
ALC Donation Fund	9,344	19,231	21,259	-	7,316	2,527	6,630	-	3,213
Improving Teacher Quality, No Child Left, Title II, Part A	(5,883)	-	-	-	(5,883)	-	-	-	(5,883)
Title II Part A Class Size FY12	402	-	-	-	402	-	-	-	402
Title II Part A Class Size FY14	(402)	-	-	-	(402)	-	-	-	(402)
Title II Part A Class Size FY15	(9,658)	77,082	67,424	-	-	-	-	-	-
Title IIA FFY2016	-	-	-	-	-	66,620	80,655	-	(14,035)
Rural Schools and Low Income Program - Pass Through State	(3,380)	-	-	-	(3,380)	-	-	-	(3,380)
Title III - English Proficiency Migrant	1,608	-	-	-	1,608	-	-	-	1,608
Title I - Grants to LEAs	(101,239)	-	-	-	(101,239)	-	-	-	(101,239)
Prepaid Meals	-	92,632	87,504	-	5,128	81,178	80,167	-	6,139
Payroll	24,426	2,375,818	2,373,247	-	26,998	2,241,159	2,290,758	-	(22,601)
Totals	\$ 5,215,016	\$ 14,937,846	\$ 15,744,452	\$ 21,063	\$ 4,429,474	\$ 15,213,891	\$ 15,565,440	\$ 12,240	\$ 4,090,165

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

SCOTT COUNTY SCHOOL DISTRICT 1  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

School Corporation, as used herein, shall include, but is not limited to, 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 1  
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.

*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:

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

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

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for 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.

**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.

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

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

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

**Note 7. Cash Balance Deficits**

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

**Note 8. Holding Corporation**

The School Corporation has entered into a capital lease with Scott County 1998 School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2017 and 2018 totaled \$545,000 and \$559,500, respectively.

#### 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 1  
 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 3,072,889	\$ 466,007	\$ 56,692	\$ 506,050	\$ (9,747)	\$ 76,790	\$ 1,000,000	\$ 20,583	\$ (23,952)	\$ 113,011
Receipts:										
Local sources	147,847	1,395,023	156,477	679,032	267,979	3,513	-	-	111,393	40,061
Intermediate sources	6	-	-	-	-	-	-	-	-	-
State sources	8,180,262	-	-	-	-	-	-	-	1,999	59,583
Federal sources	-	-	-	-	-	-	-	-	410,144	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	8,328,115	1,395,023	156,477	679,032	267,979	3,513	-	-	523,536	99,644
Disbursements:										
Instruction	5,578,113	-	-	-	-	-	-	-	-	-
Support services	3,085,255	-	-	697,549	241,596	-	-	-	-	120,278
Noninstructional services	266,907	-	-	-	-	-	-	-	633,000	-
Facilities acquisition and construction	-	-	-	195,693	-	-	-	-	-	-
Debt service	-	1,282,588	144,477	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	8,930,275	1,282,588	144,477	893,242	241,596	-	-	-	633,000	120,278
Excess (deficiency) of receipts over disbursements	(602,160)	112,435	12,000	(214,210)	26,383	3,513	-	-	(109,464)	(20,634)
Other financing sources (uses):										
Sale of capital assets	169	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	169	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(601,991)	112,435	12,000	(214,210)	26,383	3,513	-	-	(109,464)	(20,634)
Cash and investments - ending	\$ 2,470,898	\$ 578,442	\$ 68,692	\$ 291,840	\$ 16,636	\$ 80,303	\$ 1,000,000	\$ 20,583	\$ (133,416)	\$ 92,377

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 For the Year Ended June 30, 2017

	Levy Excess	Joint Services and Supply - Other	Educational License Plates	Lily Endowment Counseling Grant	Elementary Music Department Donation	Walmart Teacher of Year McIntosh	Walmart Teacher of Year Atkins/Plasse	Community Foundation Grants	Target Field Trip Grant	Box Top Fund AES
Cash and investments - beginning	\$ 25	\$ 1,310	\$ 5,433	\$ -	\$ 294	\$ (73)	\$ 144	\$ 1,859	\$ 406	\$ 10,331
Receipts:										
Local sources	-	-	-	30,000	-	-	-	499	-	-
Intermediate sources	-	-	75	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	75	30,000	-	-	-	499	-	-
Disbursements:										
Instruction	-	-	-	18,359	-	-	-	2,179	-	-
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	18,359	-	-	-	2,179	-	-
Excess (deficiency) of receipts over disbursements	-	-	75	11,641	-	-	-	(1,680)	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	75	11,641	-	-	-	(1,680)	-	-
Cash and investments - ending	\$ 25	\$ 1,310	\$ 5,508	\$ 11,641	\$ 294	\$ (73)	\$ 144	\$ 179	\$ 406	\$ 10,331

SCOTT COUNTY SCHOOL DISTRICT 1  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Kids First Fund	SSU "Candy Factory" Fund AMS	We Care Fund	Blessings in a Backpack	Formative Assessment	Teacher Quality Improvement Program	Secured Schools Safety Grant	School Technology	Career and Technical Performance Grant	Graduation Performance Award
Cash and investments - beginning	\$ 19,640	\$ 774	\$ -	\$ 1,663	\$ 14,163	\$ 28,804	\$ (2,861)	\$ (8,007)	\$ -	\$ 20,000
Receipts:										
Local sources	4,000	4,829	26,649	6,825	-	-	-	13,114	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	15,846	-	-	124,408	-	-
Federal sources	-	-	-	-	-	-	-	-	3,420	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	4,000	4,829	26,649	6,825	15,846	-	-	137,522	3,420	-
Disbursements:										
Instruction	-	3,935	-	-	13,987	27,880	-	649	-	-
Support services	-	-	-	-	1,860	-	-	110,408	-	-
Noninstructional services	-	-	26,649	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	3,765	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	3,935	26,649	-	15,847	27,880	3,765	111,057	-	-
Excess (deficiency) of receipts over disbursements	4,000	894	-	6,825	(1)	(27,880)	(3,765)	26,465	3,420	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,000	894	-	6,825	(1)	(27,880)	(3,765)	26,465	3,420	-
Cash and investments - ending	\$ 23,640	\$ 1,668	\$ -	\$ 8,488	\$ 14,162	\$ 924	\$ (6,626)	\$ 18,458	\$ 3,420	\$ 20,000

SCOTT COUNTY SCHOOL DISTRICT 1  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	Indiana School Academic Improvement Program (ISAIIP)	Scott County Community Channel	Title I 2013-2014	Title I 2015-2016	Title I 2016-2017	Title I 2017-2018	Title I 2011-2012	Drug Free Schools	Other Federal Programs	21st Century Learning Center Grant 13-14
Cash and investments - beginning	\$ -	\$ 13,721	\$ 1,758	\$ (26,288)	\$ -	\$ -	\$ (28,069)	\$ (6,530)	\$ 1,129	\$ (1)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	38,998	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	144,556	205,728	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	38,998	-	-	144,556	205,728	-	-	-	-	-
Disbursements:										
Instruction	49,965	6,054	-	118,268	221,816	-	-	-	-	-
Support services	-	8,964	-	-	6,161	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	49,965	15,018	-	118,268	227,977	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(10,967)	(15,018)	-	26,288	(22,249)	-	-	-	-	-
Other financing sources (uses):										
Sale of capital assets	-	20,894	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	20,894	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,967)	5,876	-	26,288	(22,249)	-	-	-	-	-
Cash and investments - ending	\$ (10,967)	\$ 19,597	\$ 1,758	\$ -	\$ (22,249)	\$ -	\$ (28,069)	\$ (6,530)	\$ 1,129	\$ (1)

SCOTT COUNTY SCHOOL DISTRICT 1  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	21st Century Learning Center Grant 14-15	21st Century Learning Center CCLC	21st Century Learning Center	21st Century CCLC Grant 17-18	21st Century CCLC Grant 18-19	ALC Donation Fund	Improving Teacher Quality, No Child Left, Title II, Part A	Title II Part A Class Size FY12	Title II Part A Class Size FY14
Cash and investments - beginning	\$ 18,128	\$ (30,488)	\$ (15,790)	\$ -	\$ -	\$ 9,344	\$ (5,883)	\$ 402	\$ (402)
Receipts:									
Local sources	-	-	-	-	-	19,231	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	20,977	279,840	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	20,977	279,840	-	-	19,231	-	-	-
Disbursements:									
Instruction	-	9,356	284,552	33,019	-	21,259	-	-	-
Support services	-	-	-	1,736	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	9,356	284,552	34,755	-	21,259	-	-	-
Excess (deficiency) of receipts over disbursements	-	11,621	(4,712)	(34,755)	-	(2,028)	-	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	11,621	(4,712)	(34,755)	-	(2,028)	-	-	-
Cash and investments - ending	\$ 18,128	\$ (18,867)	\$ (20,502)	\$ (34,755)	\$ -	\$ 7,316	\$ (5,883)	\$ 402	\$ (402)

SCOTT COUNTY SCHOOL DISTRICT 1  
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 For the Year Ended June 30, 2017

	Title II Part A Class Size FY15	Title IIA FFY2016	Rural Schools and Low Income Program - Pass Through State	Title III - English Proficiency Migrant	Title I - Grants to LEAs	Prepaid Meals	Payroll	Totals
Cash and investments - beginning	\$ (9,658)	\$ -	\$ (3,380)	\$ 1,608	\$ (101,239)	\$ -	\$ 24,426	\$ 5,215,016
Receipts:								
Local sources	-	-	-	-	-	-	-	2,906,472
Intermediate sources	-	-	-	-	-	-	-	81
State sources	-	-	-	-	-	-	-	8,421,096
Federal sources	77,082	-	-	-	-	-	-	1,141,747
Other receipts	-	-	-	-	-	92,632	2,375,818	2,468,450
Total receipts	77,082	-	-	-	-	92,632	2,375,818	14,937,846
Disbursements:								
Instruction	67,424	-	-	-	-	-	-	6,456,815
Support services	-	-	-	-	-	-	-	4,273,807
Noninstructional services	-	-	-	-	-	-	-	926,556
Facilities acquisition and construction	-	-	-	-	-	-	-	199,458
Debt service	-	-	-	-	-	-	-	1,427,065
Nonprogrammed charges	-	-	-	-	-	87,504	2,373,247	2,460,751
Total disbursements	67,424	-	-	-	-	87,504	2,373,247	15,744,452
Excess (deficiency) of receipts over disbursements	9,658	-	-	-	-	5,128	2,571	(806,606)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	21,063
Total other financing sources (uses)	-	-	-	-	-	-	-	21,063
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,658	-	-	-	-	5,128	2,571	(785,543)
Cash and investments - ending	\$ -	\$ -	\$ (3,380)	\$ 1,608	\$ (101,239)	\$ 5,128	\$ 26,998	\$ 4,429,474

SCOTT COUNTY SCHOOL DISTRICT 1  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 2,470,898	\$ 578,442	\$ 68,692	\$ 291,840	\$ 16,636	\$ 80,303	\$ 1,000,000	\$ 20,583
Receipts:								
Local sources	136,297	1,237,361	142,933	686,152	271,981	14,555	-	-
Intermediate sources	7	-	-	-	-	-	-	-
State sources	8,470,540	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	8,606,844	1,237,361	142,933	686,152	271,981	14,555	-	-
Disbursements:								
Instruction	5,316,148	-	-	-	-	-	-	-
Support services	3,305,619	-	-	691,362	289,874	-	-	20,583
Noninstructional services	200,560	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	135,562	-	-	-	-
Debt service	-	1,285,001	144,052	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	8,822,327	1,285,001	144,052	826,924	289,874	-	-	20,583
Excess (deficiency) of receipts over disbursements	(215,483)	(47,640)	(1,119)	(140,772)	(17,893)	14,555	-	(20,583)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(215,483)	(47,640)	(1,119)	(140,772)	(17,893)	14,555	-	(20,583)
Cash and investments - ending	\$ 2,255,415	\$ 530,802	\$ 67,573	\$ 151,068	\$ (1,257)	\$ 94,858	\$ 1,000,000	\$ -

SCOTT COUNTY SCHOOL DISTRICT 1  
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	School Lunch	Textbook Rental	Levy Excess	Joint Services and Supply - Other	Educational License Plates	Lily Endowment Counseling Grant	Elementary Music Department Donation
Cash and investments - beginning	\$ (133,416)	\$ 92,377	\$ 25	\$ 1,310	\$ 5,508	\$ 11,641	\$ 294
Receipts:							
Local sources	235,432	35,135	-	-	-	381,800	-
Intermediate sources	-	-	-	-	150	-	-
State sources	2,485	63,822	-	-	-	-	-
Federal sources	448,132	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	686,049	98,957	-	-	150	381,800	-
Disbursements:							
Instruction	-	-	-	-	-	289,285	-
Support services	-	10,786	-	-	-	-	-
Noninstructional services	633,932	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	633,932	10,786	-	-	-	289,285	-
Excess (deficiency) of receipts over disbursements	52,117	88,171	-	-	150	92,515	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	52,117	88,171	-	-	150	92,515	-
Cash and investments - ending	\$ (81,299)	\$ 180,548	\$ 25	\$ 1,310	\$ 5,658	\$ 104,156	\$ 294

SCOTT COUNTY SCHOOL DISTRICT 1  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	Walmart Teacher of Year McIntosh	Walmart Teacher of Year Atkins/Plasse	Community Foundation Grants	Target Field Trip Grant	Box Top Fund AES	Kids First Fund	SSU "Candy Factory" Fund AMS
Cash and investments - beginning	\$ (73)	\$ 144	\$ 179	\$ 406	\$ 10,331	\$ 23,640	\$ 1,668
Receipts:							
Local sources	-	-	550	-	-	4,000	6,052
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	550	-	-	4,000	6,052
Disbursements:							
Instruction	-	-	556	-	-	-	6,095
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	427	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	556	-	-	427	6,095
Excess (deficiency) of receipts over disbursements	-	-	(6)	-	-	3,573	(43)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(6)	-	-	3,573	(43)
Cash and investments - ending	\$ (73)	\$ 144	\$ 173	\$ 406	\$ 10,331	\$ 27,213	\$ 1,625

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	We Care Fund	Blessings in a Backpack	Formative Assessment	Teacher Quality Improvement Program	Secured Schools Safety Grant	School Technology	Career and Technical Performance Grant
Cash and investments - beginning	\$ -	\$ 8,488	\$ 14,162	\$ 924	\$ (6,626)	\$ 18,458	\$ 3,420
Receipts:							
Local sources	24,630	2,757	-	-	-	11,826	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	13,805	-	-	7,770	-
Federal sources	-	-	-	-	-	-	3,689
Other receipts	-	-	-	-	-	-	-
Total receipts	24,630	2,757	13,805	-	-	19,596	3,689
Disbursements:							
Instruction	-	959	-	-	-	48,051	-
Support services	-	-	-	-	-	15,639	-
Noninstructional services	24,630	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	24,630	959	-	-	-	63,690	-
Excess (deficiency) of receipts over disbursements	-	1,798	13,805	-	-	(44,094)	3,689
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,798	13,805	-	-	(44,094)	3,689
Cash and investments - ending	\$ -	\$ 10,286	\$ 27,967	\$ 924	\$ (6,626)	\$ (25,636)	\$ 7,109

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	Graduation Performance Award	Indiana School Academic Improvement Program (ISAIP)	Scott County Community Channel	Title I 2013-2014	Title I 2015-2016	Title I 2016-2017	Title I 2017-2018
Cash and investments - beginning	\$ 20,000	\$ (10,967)	\$ 19,597	\$ 1,758	\$ -	\$ (22,249)	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	144,949	209,192
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	144,949	209,192
Disbursements:							
Instruction	-	-	6,705	-	-	109,607	201,151
Support services	-	-	10,001	-	-	46,973	21,226
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	16,706	-	-	156,580	222,377
Excess (deficiency) of receipts over disbursements	-	-	(16,706)	-	-	(11,631)	(13,185)
Other financing sources (uses):							
Sale of capital assets	-	-	12,240	-	-	-	-
Total other financing sources (uses)	-	-	12,240	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(4,466)	-	-	(11,631)	(13,185)
Cash and investments - ending	\$ 20,000	\$ (10,967)	\$ 15,131	\$ 1,758	\$ -	\$ (33,880)	\$ (13,185)

SCOTT COUNTY SCHOOL DISTRICT 1  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Title I 2011-2012	Drug Free Schools	Other Federal Programs	21st Century Learning Center Grant 13-14	21st Century Learning Center Grant 14-15	21st Century Learning Center CCLC	21st Century Learning Center
Cash and investments - beginning	\$ (28,069)	\$ (6,530)	\$ 1,129	\$ (1)	\$ 18,128	\$ (18,867)	\$ (20,502)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	20,502
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	20,502
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	20,502
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	-	20,502
Cash and investments - ending	\$ (28,069)	\$ (6,530)	\$ 1,129	\$ (1)	\$ 18,128	\$ (18,867)	\$ -

SCOTT COUNTY SCHOOL DISTRICT 1  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	21st Century CCLC Grant 17-18	21st Century CCLC Grant 18-19	ALC Donation Fund	Improving Teacher Quality, No Child Left, Title II, Part A	Title II Part A Class Size FY12	Title II Part A Class Size FY14	Title II Part A Class Size FY15
Cash and investments - beginning	\$ (34,755)	\$ -	\$ 7,316	\$ (5,883)	\$ 402	\$ (402)	\$ -
Receipts:							
Local sources	-	-	2,527	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	245,903	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	245,903	-	2,527	-	-	-	-
Disbursements:							
Instruction	270,068	13,237	6,630	-	-	-	-
Support services	8,646	495	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	278,714	13,732	6,630	-	-	-	-
Excess (deficiency) of receipts over disbursements	(32,811)	(13,732)	(4,103)	-	-	-	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(32,811)	(13,732)	(4,103)	-	-	-	-
Cash and investments - ending	\$ (67,566)	\$ (13,732)	\$ 3,213	\$ (5,883)	\$ 402	\$ (402)	\$ -

SCOTT COUNTY SCHOOL DISTRICT 1  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Title IIA FFY2016	Rural Schools and Low Income Program - Pass Through State	Title III - English Proficiency Migrant	Title I - Grants to LEAs	Prepaid Meals	Payroll	Totals
Cash and investments - beginning	\$ -	\$ (3,380)	\$ 1,608	\$ (101,239)	\$ 5,128	\$ 26,998	\$ 4,429,474
Receipts:							
Local sources	-	-	-	-	-	-	3,193,988
Intermediate sources	-	-	-	-	-	-	157
State sources	-	-	-	-	-	-	8,558,422
Federal sources	66,620	-	-	-	-	-	1,138,987
Other receipts	-	-	-	-	81,178	2,241,159	2,322,337
Total receipts	66,620	-	-	-	81,178	2,241,159	15,213,891
Disbursements:							
Instruction	80,655	-	-	-	-	-	6,349,147
Support services	-	-	-	-	-	-	4,421,204
Noninstructional services	-	-	-	-	-	-	859,549
Facilities acquisition and construction	-	-	-	-	-	-	135,562
Debt service	-	-	-	-	-	-	1,429,053
Nonprogrammed charges	-	-	-	-	80,167	2,290,758	2,370,925
Total disbursements	80,655	-	-	-	80,167	2,290,758	15,565,440
Excess (deficiency) of receipts over disbursements	(14,035)	-	-	-	1,011	(49,598)	(351,549)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	12,240
Total other financing sources (uses)	-	-	-	-	-	-	12,240
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,035)	-	-	-	1,011	(49,598)	(339,309)
Cash and investments - ending	\$ (14,035)	\$ (3,380)	\$ 1,608	\$ (101,239)	\$ 6,139	\$ (22,601)	\$ 4,090,165

SCOTT COUNTY SCHOOL DISTRICT 1  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Scott County 1998 School Building Corporation	Lease Rental Building-Holding Company	\$ 563,000	7/5/2005	1/5/2023
Total of annual lease payments		<u>\$ 563,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Common School Loans	\$ 3,749,435	\$ 695,363
Notes and loans payable	Severance Bonds	850,000	160,465
Notes and loans payable	Veterans Memorial Loans	<u>5,000</u>	<u>5,050</u>
Total governmental activities		<u>4,604,435</u>	<u>860,878</u>
Totals		<u>\$ 4,604,435</u>	<u>\$ 860,878</u>

SCOTT COUNTY SCHOOL DISTRICT 1  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2018

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

	Ending Balance
Governmental activities:	
Land	\$ 972,500
Infrastructure	10
Buildings	49,590,577
Machinery, equipment, and vehicles	<u>2,228,215</u>
Total governmental activities	<u>52,791,302</u>
Total capital assets	<u>\$ 52,791,302</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the Scott County School District 1's (School Corporation) compliance with the types of compliance requirements described in the *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. 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.

***Opinion on Each Major Federal Program***

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 major federal programs for the period of July 1, 2016 to June 30, 2018.

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

***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 2018-003, 2018-005, and 2018-006. 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.

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 2018-003, 2018-004, 2018-005, and 2018-006, 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.

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

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 25, 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 1  
 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	Total Federal Awards Expended 06-30-17	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 Program			SY 16-17	\$ 101,906	\$ -
School Breakfast Program			SY 17-18	-	109,093
				<u>101,906</u>	<u>109,093</u>
Total - School Breakfast Program				<u>101,906</u>	<u>109,093</u>
National School Lunch Program	Indiana Department of Education	10.555			
National School Lunch Program			SY 16-17	308,238	-
National School Lunch Program			SY 17-18	-	339,039
National School Lunch Program - Commodities			SY 16-17	40,704	-
National School Lunch Program - Commodities			SY 17-18	-	41,892
				<u>348,942</u>	<u>380,931</u>
Total - National School Lunch Program				<u>348,942</u>	<u>380,931</u>
Total - Child Nutrition Cluster				<u>450,848</u>	<u>490,024</u>
Total - Department of Agriculture				<u>450,848</u>	<u>490,024</u>
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States	Indiana Department of Education	84.027			
Federal Part B 611			14215-038-PN01	88,234	-
Federal Part B 611			14216-036-PN01	276,448	15,582
Federal Part B 611			14217-036-PN01	6,436	-
Federal Part B 611			18611-036-PN01	-	5,669
Federal Part B 611			14216-138-PN01	-	25,521
Federal Part B 611			14217-140-PN01	-	286,348
				<u>371,118</u>	<u>333,120</u>
Total - Special Education Grants to States				<u>371,118</u>	<u>333,120</u>
Special Education Preschool Grants	Indiana Department of Education	84.173			
Federal Preschool			45171-036-PN01	1,667	-
Federal Preschool			45715-038-PN01	4,063	-
Federal Preschool			45716-036-PN01	11,926	268

SCOTT COUNTY SCHOOL DISTRICT 1  
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	Total Federal Awards Expended 06-30-17	Total Federal Awards Expended 06-30-18
Federal Preschool			45716-136-PN01	-	1,007
Federal Preschool			45717-140-PN01	-	7,976
Total - Special Education Preschool Grants				<u>17,656</u>	<u>9,251</u>
Total - Special Education Cluster (IDEA)				<u>388,774</u>	<u>342,371</u>
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Part A, FY 2015-16			16-7230	144,555	-
Part A, FY 2016-17			17-7230	205,728	144,949
Part A, FY 2017-18			18-7230	-	209,192
Total - Title I Grants to Local Educational Agencies				<u>350,283</u>	<u>354,141</u>
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287			
Austin Learning Center			7000S287C140014	20,977	-
Austin Learning Center			7000S287C150014	279,841	20,502
Austin Learning Center			7000S287C160014	-	245,903
Total - Twenty-First Century Community Learning Centers				<u>300,818</u>	<u>266,405</u>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367			
Title IIA FY 16			16-7230	77,082	-
Title IIA FY 17			17-7230	-	66,620
Total - Supporting Effective Instruction State Grants				<u>77,082</u>	<u>66,620</u>
Total - Department of Education				<u>1,116,957</u>	<u>1,029,537</u>
Total federal awards expended				<u>\$ 1,567,805</u>	<u>\$ 1,519,561</u>

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

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

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation 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.

**Note 3. Special Education Cooperative**

The School Corporation is a member of the Madison Area Educational Special Services Unit (MAESSU), a special education cooperative. MAESSU serves as the fiscal agent for the operation of the special education federal grant programs of the School Corporation. As a result, some of the activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented in the receipts and disbursements in the financial statement of the School Corporation.

SCOTT COUNTY SCHOOL DISTRICT 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses 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>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified

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

Auditee qualified as low-risk auditee?	no
--	----

**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 finding from the immediately prior audit. The prior audit finding number was 2016-001.

*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). As a result, material misstatements of the SEFA remained undetected.

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

*Context*

Due to the lack of effective controls, the SEFA contained the following errors:

1. The Child Nutrition Cluster expenditures in the amount of \$358,216 and \$408,846 were understated for fiscal years 2016-2017 and 2017-2018, respectively.
2. Some federal grantor agencies, cluster titles, program and project titles, CFDA numbers, pass-through entities, and identifying numbers were incorrect or were missing.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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 1  
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*

The School Corporation's management had not established a system of internal controls that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal controls 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 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2018-002**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

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

*Condition*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

*Lack of Segregation of Duties:* The School Corporation had not separated incompatible activities related to receipts and cash.

*Receipts:* Office personnel were assigned the responsibility for issuing receipts for specific collection areas. For their assigned collection area, each individual issued and posted the receipts and prepared and made the bank deposit without any oversight.

*Cash:* Reconcilements of the depository account balances to the financial records were performed without indication of an oversight or review. The same employee who prepared the bank reconcilements was also responsible for handling receipts associated with the student meal accounts and textbook rental. Monthly reconcilements of the depository account balances with the record balances were performed; however, unidentified variances existed. Corrections for known reconciling errors were not recorded correctly in a timely manner.

*Context*

The lack of internal controls was a systemic issue, which occurred throughout the audit period.

*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.

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

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. . . ."

*Cause*

The School Corporation's management had not established a proper system of internal control.

*Effect*

The failure to establish controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls related to financial transactions and reporting.

*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 2018-003**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
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): SY 16-17, SY 17-18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-003.

*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 Allowable Costs/Cost Principles compliance requirement.

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

The School Corporation did not comply with the Allowable Costs/Cost Principles requirements regarding payment of salaries from the food service program (School Lunch fund). Personal Activity Reports or other documentation of personnel expenses was not completed for an employee who was paid a portion of their salary from the program.

A portion of the Food Service Manager/Janitorial Supervisor's salary was paid from the School Lunch fund for duties performed as the Food Service Manager. There were no time records to support the actual time spent on the grant programs in relationship to other duties performed to determine that the costs were properly allocated to the food service program. Disbursements in the amount of \$22,925 and \$23,196 were charged to the School Lunch fund in fiscal years 2016-2017 and 2017-2018, respectively.

*Context*

The lack of controls and noncompliance was a systemic issue, which occurred 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 200.430(i) states in part:

*"Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

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

*Cause*

The School Corporation's management had not developed a system of internal controls to ensure documentation of personnel expenses charged to the federal program were maintained.

*Effect*

The failure to establish an effective internal control system enabled the School Corporation to be in noncompliance with the grant agreements.

*Questioned Costs*

Known questioned costs in the amount of \$46,121 have been identified.

*Recommendation*

We recommended that the School Corporation's management establish an effective internal control system to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles 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 2018-004**

Subject: Child Nutrition Cluster - Internal Controls

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): SY16-17, SY17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Program Income, Reporting, Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

*Repeat Finding*

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

*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 following compliance requirements: Cash Management, Program Income, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

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

*Context*

*Cash Management*

The School Corporation had not developed procedures whereby the net cash resources in its food service program (School Lunch fund) were monitored to ensure that the net cash resources in the fund did not exceed the three months average expenditures.

*Program Income*

Proper segregation of duties did not exist for recording of program income. One individual was responsible for receipting, depositing, and recording cash meal sales without any oversight. One individual was responsible for recording program income related to prepaid meal sales without any oversight or review.

*Reporting*

Monthly Sponsor Claims (claim for reimbursement), Annual Financial Reports, and School Food Authority (SFA) Verification Collection Reports were completed by one individual without any oversight or review.

*Special Tests and Provisions - School Food Accounts*

No financial overview of the School Lunch fund was performed to determine if the financial activity recorded was proper and reasonable. Procedures were not in place to ensure the number of meals served and other items sold were reasonable in relationship to the amounts receipted to the School Lunch fund. There were no controls in place to ensure that all financial activity recorded in the student meal accounts was recorded in the financial ledger. There was a lack of segregation of duties over the receipting aspects of the School Lunch fund activity. The same individual that receipted money to the School Lunch fund also deposited the money and performed the bank reconciliations.

*Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)*

The School Corporation calculated the Paid Lunch Equity and submitted it to the Indiana Department of Education (IDOE); however the School Corporation did not have controls in place whereby someone reviewed the calculation for accuracy prior to it being submitted to IDOE.

The lack of internal controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

SCOTT COUNTY SCHOOL DISTRICT 1  
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). . . ."

*Cause*

The School Corporation's management had not developed a system of internal controls that segregated key functions.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2018-005**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
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): SY 16-17, SY 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. The prior audit finding number was 2016-005.

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

*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.

*Procurement*

The School Corporation had not established an effective internal control system to ensure that the purchasing methods used were in compliance with the applicable local, state, and federal requirements. The School Corporation utilized a third-party purchasing agent for the bulk of its food service purchases. Procedures used by the third-party purchasing agent were not reviewed to determine that the Procurement and Suspension and Debarment compliance requirement was being followed.

The School Corporation did not require that an adequate number of quotes be obtained for small purchases with estimated costs above \$3,500. Several purchases of like-kind items exceeding \$3,500 were made without an adequate number of price or rate quotations being obtained.

*Suspension and Debarment*

The School Corporation had not established an effective internal control system to ensure compliance with suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

*Context*

The lack of controls and the 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 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

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

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. . . ."

*Cause*

The School Corporation's management had not establish 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 enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 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 2018-006**

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

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): 45717-140-PN01, 14217-140-PN01,  
45716-036-PN01, 45716-136-PN01,  
14216-036-PN01, 14216-138-PN01,  
18611-036-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

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

*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 designated a fiscal agent to receive and manage the funding of the special education program. The School Corporation did not have controls in place to monitor the fiscal agent's purchasing methods which resulted in the following noncompliance.

*Procurement*

The procurement policy used by the fiscal agent did not reflect the federal guidelines established under Uniform Guidance causing the fiscal agent to be noncompliant with the requirements for procurement.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred 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 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.320 states in part:

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

- (a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

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

(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. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

*Cause*

The School Corporation's management had not developed or implemented 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 noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 controls to ensure compliance with 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.

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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 1

255 Highway 31 S. P.O. Box 9

AUSTIN, IN 47102

812-794-8750 or FAX: 812-794-8765

## BOARD OF SCHOOL TRUSTEES

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VICE-PRESIDENT

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*Beverly Turner*  
ELEMENTARY SCHOOL PRINCIPAL

*Sheila Carter*  
ASST. ELEMENTARY PRINCIPAL

## Summary Schedule of Prior Audit Findings

Findings 2016-001 to 2016-011

Fiscal period in which the finding initially occurred: 07/01/14 to 06/30/16

Contact Person Responsible for Corrective Action Plan: Jami Parks

Contact Number: 812-794-9630

Status of Audit Findings:

### **Finding 2016-001**

Finding was only one party prepared, reviewed and submitted AFR/SEFA. A second employee was to participate in the preparation, review and submission of the AFR/SEFA. The AFR has only been submitted once since the exit conference for the corresponding Audit. That submission occurred after deadline to submit and there was no other employee available the day of submission to review. The review will begin with the Summer 2019 submission.

### **Finding 2016-002**

**Receipts-** A second individual began reviewing receipts and deposits. At this time there have been no adjustments to receipts, so there has been no need for an approval to an adjustment and no record of the adjustment has been kept in the business office. This will take place when an adjustment is need. The Deputy Food Service Treasurer has been recording/receipting online

payments in a timely manner, prior to the exit conference for the corresponding audit.

**Cash-** The business manager has begun reviewing the monthly bank reconcilements effect August 2018 bank reconciliation.

**Vendor Disbursements-** The Food Service Director or Manager approves the Food Service Claims and the Business Manager process the checks, this change was completed before the exit conference for the corresponding audit. Starting July 2018 refunds on student meal accounts were paid through check instead of cash, the checks are approved through the normal Accounts Payable Voucher signed off by the board. A second employee reviews adjustments and verified by signature, no adjustments have been required since the exit conference of the corresponding audit.

**Payroll Disbursements-** Kay Combs remains the payroll processor, since the exit conference Donna Gabbard has trained with Kay on payroll processing. She with the help of Komputrol Support and Business Manager would be able to process a payroll in the event Kay was unable. The distribution report has been added to the payroll claim vouchers that the school board approves. The distribution report is verified by Business Manager and Payroll Clerk before finalizing the payroll.

### **Finding 2016-003**

Food Service Director/Manager approves food service claims and Business Manager processes food service checks. This was changed prior to the exit conference for the corresponding audit.

**Allowable Costs/Cost Principles-** The Food Service Director and Food Service Treasurer now use proper time keeping (time sheets) separating their General Fund duties from their Child Nutrition duties.

Beginning in June 2016 new documentation was implemented to track time spent between job functions. A new payroll system was installed July 2018 and additional employees were trained on the payroll process. Also in July 2018 the Business Manager began spot review of payroll processing.

### **Finding 2016-004**

**Activities Allowed or Unallowed-** The Food Service Director approves all food service claims and the Business Manager process all food service checks. Payroll activities are reviewed by supervisor and verified by signature of time sheets.

**Cash Management-** The school corporation food service continues to have a negative cash balance, one the cash balance begins to be positive it will be

monitored by the Food Service Director and Business Manager to ensure that the net cash resources do not exceed the three-month average expenditure.

**Eligibility-** Debbie Kilburn and Selena Thompson verify the eligibility of the applicants the other enters.

**Reporting-** The Food Service Director and Food Service Treasurer review each other's reports and submissions.

**Special Tests and Provisions-** No special tests and provisions have been implemented since the finding.

**Special Tests and Provisions:** No one reviewed the calculation prior to submission to IDOE.

### **Finding 2016-005**

Certificates will be obtained, when purchases cross the threshold, to prove vendor has not be disbarred. The corporation uses state approved Procurement Centers who abide by state bidding processes. The Food Service Director obtained a certificate from HPS while the auditors were here for the present school year. A written procurement was adopted in June 2017.

### **Finding 2016-006**

Internal controls continue to be developed and implemented. At this time this finding is still an issue for the corporation.

### **Finding 2016-007**

New fund numbers are used with each new grant to help keep grants separated from year to year. The distribution report is added to the payroll claim vouchers approved by the school board as well as reviewed by the Business Manager and Payroll Clerk before finalizing each payroll.

### **Finding 2016-008**

Auditors discussed with former Superintendent and High School Administration staff of the records that needed to be maintained. High school staff now keeps the correct records to verify the Annual Report Card, per former Superintendent (retired December 2018).

### **Finding 2016-009**

A Title I educational consultant was hired fall 2018 and Title I Director was hired January 2019. The consultant, Director, Elementary Principal,

Superintendent, and Business Manager meet monthly starting in Jan 2019 to verify compliance to the program and grant, approve reimbursement reports, and costs are under the proper budget category. This team continues to monitor vendors/contractors, reimbursements/final reports, and to make sure the program is following the Procurement Policy for Federal Grants.

**Finding 2016-010**

Program Director and Business Manager discuss all purchases to make sure they are allowable under the grant. A second business office employee approves all reimbursement requests.

Semi Annual Certifications are no longer required under Uniform Guidance, bi-weekly payroll sheets are used as time and effort logs.

**Finding 2016-011**

School Director of Technology coordinates with Co-Op personnel to make sure correct data is submitted to IDOE before submitting Special Education Student Count.

A handwritten signature in black ink, appearing to read "J. Khan", is located in the lower-left quadrant of the page.

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ELEMENTARY  
SCHOOL PRINCIPAL

*Sheila Carter*  
ASST. ELEMENTARY  
PRINCIPAL

CORRECTIVE ACTION PLAN

***FINDING 2018-001***

Contact Person Responsible for Corrective Action: Jami Parks  
Contact Phone Number: 812-794-9630

Views of Responsible Official: We concur with the findings, due to personnel issues at the time of SEFA submission only one employ completed, reviewed and submitted the SEFA. There was no review by a second employee which led to understatements in the Child Nutrition expenditures.

Description of Corrective Action Plan: During the next completion of the SEFA, an employee familiar with the financial situation of the Child Nutrition program will be included in the preparation, review, and submission of the SEFA.

Anticipated Completion Date: 08/31/2019

***FINDING 2018-002***

Contact Person Responsible for Corrective Action: Jami Parks  
Contact Phone Number: 812-794-8630

Views of Responsible Official: We concur with the findings, the office has divided employees into job categories and the employees complete all aspects of that category. This method did not allow for segregation of duties and internal control.

Description of Corrective Action Plan: During the audit the office changed the methods of collection, depositing, and issuing receipts. Now an individual collects and initially counts the money, the money is then given to another employee to verifies the amount and enters the information into the financial system

to create the receipt, the employee then prepares the deposit, after the deposit is prepared a second employee verifies the deposit to what is entered into the system and initials the deposit ticket, after the deposit is made both the depositor and second employee initial the deposit receipt to verify the totals match.

Reconciliation of the bank records were given to another employee starting with the March bank reconciliation in April 2019. This employee does not enter money into the financial system or make the bank deposits, which was the issue during the audit period.

Anticipated Completion Date: 03/30/2016

***FINDING 2018-003***

Contact Person Responsible for Corrective Action: Jami Parks

Contact Phone Number: 812-794-9630

Views of Responsible Official: We concur with the finding, in the previous audit it was noted the Food Service Director and Food Service Treasurer were reporting their time incorrectly and they were changed immediately. The payroll clerk questioned the Food Service Director about having the Food Service Manager make the same change, the Food Service Director told the Payroll Clerk not to make that change.

Description of Corrective Action Plan: Effective with the 4/12/2019 check date, the Food Service Manager/Janitorial Supervisor is paid 100% from the Operation Fund. This will eliminate the need for separate record keeping as the employee will no longer be paid from Child Nutrition fund.

Anticipated Completion Date: 4/12/2019

***FINDING 2018-004***

Contact Person Responsible for Corrective Action: Jami Parks

Contact Phone Number: 812-794-9630

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

Cash Management- The school corporation has a negative cash balance, when the cash balance begins to be positive it will be monitored by the Food Service Director to ensure that the net cash resources do not exceed the three-month average expenditure.

Program Income- The Corporation will look into better segregation of duties so the same employee is not responsible for receipting, depositing and recording cash meals sales without review by another employee.

Reporting- Monthly sponsor claims, AFR and SFA Collection reports will be reviewed by another employee to provide for better internal controls.

Special Tests and Provisions-Food Accounts- The school corporation will look into better segregation of duties. The school corporation hired a new employee in January 2018 and they being trained on all aspects of the office, this will allow the corporation to establish different roles for employees to provide better segregation.

Special Tests and Provisions-Paid Lunch Equity- Someone will review the calculation prior to submission to IDOE, this will be verified by signature.

Anticipated Completion Date: 06/30/2019

**FINDING 2018-005**

Contact Person Responsible for Corrective Action: Jami Parks  
Contact Phone Number: 812-794-9630

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

Procurement/Suspension/Debarment- Certificates to prove vendor is not suspended/disbarred will be obtained and filed in the Food Service Directors office. Third party purchasing will be reviewed, certification will be obtained.

Anticipated Completion Date:09/30/2019

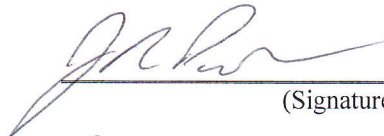
**FINDING 2018-006**

Contact Person Responsible for Corrective Action: Jami Parks  
Contact Phone Number: 812-794-9630

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Madison Area Special Services is the fiscal agent to receive and manage the funding of the Special Education grants for Scott County School District 1. MAESSU reviews vendors using the following: <http://oig.hhs.gov>. Documentation for this requirement is maintained at the MAESSU business office. MAESSU maintains internal control federal programs that provide reasonable assurance that Scott County School District 1 is managing Federal awards in compliance with the laws and regulations. MAESSU has contracted with NEOLA, effective 4/3/19, for policy management. This will give them a procurement policy that meets current law. Scott County School District 1 is represented by their Superintendent on the MAESSU board of directors, who ensures MAESSU Business Manager is following this procedure.

Anticipated Completion Date: 4/3/2019

  
\_\_\_\_\_  
(Signature)  
  
*Business Manager*  
\_\_\_\_\_  
(Title)  
  
4/22/2019  
\_\_\_\_\_

#### 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/>.