

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SMITH-GREEN COMMUNITY SCHOOLS  
WHITLEY COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
09/13/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jodi Royer	07-01-13 to 06-30-16
Superintendent of Schools	Galen Mast	07-01-13 to 06-30-16
President of the School Board	Cathy Petrie Nicholas Uecker Luke Gross	01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-16



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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE SMITH-GREEN COMMUNITY SCHOOLS, WHITLEY COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Smith-Green Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, 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 of 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 of 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, 2013 to June 30, 2015.

***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, 2013 to June 30, 2015, 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 the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other 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.

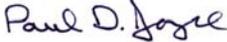
*Other Information*

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 May 24, 2016, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

May 24, 2016



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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 SMITH-GREEN COMMUNITY SCHOOLS, WHITLEY 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 Smith-Green Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated May 24, 2016, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 to be a material weakness.

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

**Compliance and Other Matters**

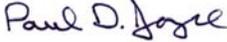
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001.

**Smith-Green Community Schools' 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

May 24, 2016

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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.

SMITH-GREEN COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 1,120,923	\$ 7,266,339	\$ 7,305,739	\$ (45,310)	\$ 1,036,213	\$ 7,203,677	\$ 7,238,583	\$ (186,418)	\$ 814,889
Debt Service	295,259	843,891	761,663	-	377,487	791,603	751,578	-	417,512
Retirement/Severance Bond Debt Service	93,596	243,593	266,038	-	71,151	134,559	135,206	-	70,504
Capital Projects	80,104	908,663	884,680	-	104,087	945,538	953,790	-	95,835
School Transportation	44,626	483,084	514,308	-	13,402	521,282	511,338	-	23,346
School Bus Replacement	163,081	130,005	104,883	-	188,203	134,334	106,214	-	216,323
Rainy Day	456,484	-	-	-	456,484	-	-	-	456,484
Retirement/Severance Bond	156,126	-	48,184	-	107,942	-	27,903	-	80,039
Post-Retirement/Severance Future Benefits	1,970	-	-	45,000	46,970	30,472	41,189	187,000	223,253
School Lunch	249,342	425,979	533,770	-	141,551	441,264	502,947	-	79,868
Textbook Rental	77,141	109,581	139,609	-	47,113	113,672	114,373	-	46,412
Playground	-	43	36	7,285	7,292	1,000	6,030	-	2,262
Educational License Plates	1,228	169	-	-	1,397	113	200	-	1,310
SAFE School Haven - SRO	(3,435)	3,435	-	-	-	-	-	-	-
Early Intervention 2013-2014	-	-	1,929	-	(1,929)	9,961	7,929	-	103
Early Intervention 2014-2015	-	-	-	-	-	9,919	8,539	-	1,380
Hands Foundation Grants	2	-	-	-	2	-	-	(2)	-
Hands Grant - Zollinger	67	-	-	-	67	-	-	(67)	-
Hands Grant - Kelley	-	238	235	-	3	-	-	(3)	-
Hands Grant - Cripe	-	455	455	-	-	-	-	-	-
Whitley County Community Foundation	4,136	-	2,160	-	1,976	-	-	-	1,976
Hands Grant - Jr/Sr Art	-	501	461	-	40	-	-	(40)	-
Hands Grant - Jr/Sr Library	-	-	-	-	-	600	-	-	600
DEKKO Arts Partnership Grant	1,954	-	1,954	-	-	-	-	-	-
CES PTO Script Donation	106	-	-	-	106	-	93	-	13
CES Poster Machine	2,000	-	-	(2,000)	-	-	-	-	-
CES PTO Classroom Donations	3,472	-	884	-	2,588	1,800	826	-	3,562
Music Instruction	20	-	-	-	20	-	-	(20)	-
Hands Grant - Kinder Literacy	2,000	-	1,958	-	42	-	-	(42)	-
Project Lead The Way	39	-	39	-	-	-	-	-	-
Hands Grant - 5th Grade Literacy	187	-	180	-	7	-	-	(7)	-
School Board Scholarship	-	500	500	-	-	500	-	-	500
H.S. Commons Floor - Eagle	-	200	-	-	200	318	-	-	518

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

SMITH-GREEN COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2014 and 2015  
(Continued)

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
Energy Rebate	-	15,195	3,820	-	11,375	2,755	11,130	-	3,000
Archery	674	-	-	-	674	-	-	-	674
Talent Initiative - Professional Development	831	-	831	-	-	-	-	-	-
Study a Country	59	-	59	-	-	500	258	-	242
Copier Contract	-	26,145	11,205	-	14,940	-	14,940	-	-
SGCS In-Out	-	39,186	-	-	39,186	1,781	35,068	-	5,899
High Ability 2013-2014	-	28,233	27,215	-	1,018	-	1,018	-	-
High Ability Certified Salaries	-	-	-	-	-	28,364	28,364	-	-
Secured Schools Safety Grant	-	-	10,345	-	(10,345)	20,412	41,047	-	(30,980)
Extra-Curricular Activities	601	-	125	-	476	-	-	(476)	-
School Technology	5,483	8,837	11,375	-	2,945	8,889	6,825	-	5,009
High Ability 2012-2013	1,233	-	1,233	-	-	-	-	-	-
Senator David Ford Technology	(19,990)	33,157	13,167	-	-	-	-	-	-
Title I - 2012-2013	(9,986)	33,502	23,516	-	-	-	-	-	-
Title I - 2013-2014	-	71,605	89,504	-	(17,899)	33,811	15,912	-	-
Title I - 2014-2015	-	-	-	-	-	87,761	110,172	-	(22,411)
IDEA 2011	(310)	-	-	310	-	-	-	-	-
IDEA 2012-2013	(66,419)	91,320	25,001	-	(100)	78	53	75	-
IDEA 2013-2014	-	182,645	253,267	-	(70,622)	75,444	4,822	-	-
IDEA 2014-2015	-	-	-	-	-	-	231,192	-	(231,192)
Special Ed Technical Assistance	-	3,331	3,730	-	(399)	2,124	2,381	-	(656)
Special Ed Preschool 2013-2014	-	1,998	2,662	-	(664)	753	89	-	-
Special Ed Preschool 2014-2015	-	-	-	-	-	-	8,093	-	(8,093)
Title II 2012-2013	(3,319)	9,977	6,658	-	-	-	-	-	-
Title II 2013-2014	-	22,177	24,641	-	(2,464)	7,651	5,187	-	-
Title II 2014-2015	-	-	-	-	-	21,553	30,622	-	(9,069)
Clearing	821	1,995,905	1,996,687	-	39	1,983,030	1,984,456	-	(1,387)
<b>Totals</b>	<b>\$ 2,660,106</b>	<b>\$ 12,979,889</b>	<b>\$ 13,074,706</b>	<b>\$ 5,285</b>	<b>\$ 2,570,574</b>	<b>\$ 12,615,518</b>	<b>\$ 12,938,367</b>	<b>\$ -</b>	<b>\$ 2,247,725</b>

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

SMITH-GREEN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

SMITH-GREEN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*E. Disbursements*

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

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

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

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

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

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

Nonprogrammed charges, which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Sale of capital assets, which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

SMITH-GREEN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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

SMITH-GREEN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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.

SMITH-GREEN COMMUNITY SCHOOLS  
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 the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation were not received by June 30.

**Note 8. Holding Corporations**

The School Corporation has entered into a capital lease with Smith-Green Multi-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 fiscal years 2014 and 2015 totaled \$480,500 and \$479,000, respectively.

#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

SMITH-GREEN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,120,923	\$ 295,259	\$ 93,596	\$ 80,104	\$ 44,626	\$ 163,081	\$ 456,484	\$ 156,126	\$ 1,970	\$ 249,342	\$ 77,141
Receipts:											
Local sources	81,798	843,891	243,593	908,663	483,084	130,005	-	-	-	251,387	83,770
Intermediate sources	12	-	-	-	-	-	-	-	-	-	-
State sources	7,180,265	-	-	-	-	-	-	-	-	7,027	25,702
Federal sources	-	-	-	-	-	-	-	-	-	167,282	-
Other receipts	4,264	-	-	-	-	-	-	-	-	283	109
Total receipts	7,266,339	843,891	243,593	908,663	483,084	130,005	-	-	-	425,979	109,581
Disbursements:											
Instruction	4,736,664	-	-	-	-	-	-	-	-	-	-
Support services	2,382,266	-	-	585,700	514,308	104,883	-	48,184	-	895	139,609
Noninstructional services	186,809	-	-	-	-	-	-	-	-	532,875	-
Facilities acquisition and construction	-	-	-	298,980	-	-	-	-	-	-	-
Debt services	-	761,663	266,038	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	7,305,739	761,663	266,038	884,680	514,308	104,883	-	48,184	-	533,770	139,609
Excess (deficiency) of receipts over disbursements	(39,400)	82,228	(22,445)	23,983	(31,224)	25,122	-	(48,184)	-	(107,791)	(30,028)
Other financing sources (uses):											
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	45,000	-	-
Transfers out	(45,310)	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(45,310)	-	-	-	-	-	-	-	45,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(84,710)	82,228	(22,445)	23,983	(31,224)	25,122	-	(48,184)	45,000	(107,791)	(30,028)
Cash and investments - ending	\$ 1,036,213	\$ 377,487	\$ 71,151	\$ 104,087	\$ 13,402	\$ 188,203	\$ 456,484	\$ 107,942	\$ 46,970	\$ 141,551	\$ 47,113

SMITH-GREEN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Playground	Educational License Plates	SAFE School Haven - SRO	Early Intervention 2013-2014	Early Intervention 2014-2015	Hands Foundation Grants	Hands Grant - Zollinger	Hands Grant-Kelley	Hands Grant-Cripe	Whitley County Community Foundation
Cash and investments - beginning	\$ -	\$ 1,228	\$ (3,435)	\$ -	\$ -	\$ 2	\$ 67	\$ -	\$ -	\$ 4,136
Receipts:										
Local sources	43	-	-	-	-	-	-	238	455	-
Intermediate sources	-	169	-	-	-	-	-	-	-	-
State sources	-	-	3,435	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	43	169	3,435	-	-	-	-	238	455	-
Disbursements:										
Instruction	-	-	-	1,929	-	-	-	235	455	2,160
Support services	36	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	36	-	-	1,929	-	-	-	235	455	2,160
Excess (deficiency) of receipts over disbursements	7	169	3,435	(1,929)	-	-	-	3	-	(2,160)
Other financing sources (uses):										
Sale of capital assets	5,285	-	-	-	-	-	-	-	-	-
Transfers in	2,000	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	7,285	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,292	169	3,435	(1,929)	-	-	-	3	-	(2,160)
Cash and investments - ending	\$ 7,292	\$ 1,397	\$ -	\$ (1,929)	\$ -	\$ 2	\$ 67	\$ 3	\$ -	\$ 1,976

SMITH-GREEN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Hands Grant - Jr/Sr Art	Hands Grant - Jr/Sr Library	DEKKO Arts Partnership Grant	CES PTO Script Donation	CES Poster Machine	CES PTO Classroom Donations	Music Instruction	Hands Grant - Kinder Literacy	Project Lead The Way	Hands Grant - 5th Grade Literacy
Cash and investments - beginning	\$ -	\$ -	\$ 1,954	\$ 106	\$ 2,000	\$ 3,472	\$ 20	\$ 2,000	\$ 39	\$ 187
Receipts:										
Local sources	501	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	501	-	-	-	-	-	-	-	-	-
Disbursements:										
Instruction	461	-	1,954	-	-	884	-	1,958	39	180
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	461	-	1,954	-	-	884	-	1,958	39	180
Excess (deficiency) of receipts over disbursements	40	-	(1,954)	-	-	(884)	-	(1,958)	(39)	(180)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(2,000)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(2,000)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	40	-	(1,954)	-	(2,000)	(884)	-	(1,958)	(39)	(180)
Cash and investments - ending	\$ 40	\$ -	\$ -	\$ 106	\$ -	\$ 2,588	\$ 20	\$ 42	\$ -	\$ 7

SMITH-GREEN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	School Board Scholarship	H.S. Commons Floor - Eagle	Energy Rebate	Archery	Talent Initiative - Professional Development	Study a Country	Copier Contract	SGCS In-Out	High Ability 2013-2014	High Ability Certified Salaries
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 674	\$ 831	\$ 59	\$ -	\$ -	\$ -	\$ -
Receipts:										
Local sources	500	200	-	-	-	-	26,145	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	28,233	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	15,195	-	-	-	-	39,186	-	-
Total receipts	500	200	15,195	-	-	-	26,145	39,186	28,233	-
Disbursements:										
Instruction	-	-	-	-	-	59	-	-	27,215	-
Support services	-	-	3,820	-	831	-	11,205	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	500	-	-	-	-	-	-	-	-	-
Total disbursements	500	-	3,820	-	831	59	11,205	-	27,215	-
Excess (deficiency) of receipts over disbursements	-	200	11,375	-	(831)	(59)	14,940	39,186	1,018	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	200	11,375	-	(831)	(59)	14,940	39,186	1,018	-
Cash and investments - ending	\$ -	\$ 200	\$ 11,375	\$ 674	\$ -	\$ -	\$ 14,940	\$ 39,186	\$ 1,018	\$ -

SMITH-GREEN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Secured Schools Safety Grant	Extra- Curricular Activities	School Technology	High Ability 2012-2013	Senator David Ford Technology	Title I - 2012-2013	Title I - 2013-2014	Title I - 2014-2015	IDEA 2011	IDEA 2012-2013
Cash and investments - beginning	\$ -	\$ 601	\$ 5,483	\$ 1,233	\$ (19,990)	\$ (9,986)	\$ -	\$ -	\$ (310)	\$ (66,419)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	8,837	-	33,157	-	-	-	-	-
Federal sources	-	-	-	-	-	33,502	71,605	-	-	91,320
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	8,837	-	33,157	33,502	71,605	-	-	91,320
Disbursements:										
Instruction	-	-	-	1,233	-	15,994	76,412	-	-	1,864
Support services	10,345	125	11,375	-	13,167	7,522	13,092	-	-	23,137
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	10,345	125	11,375	1,233	13,167	23,516	89,504	-	-	25,001
Excess (deficiency) of receipts over disbursements	(10,345)	(125)	(2,538)	(1,233)	19,990	9,986	(17,899)	-	-	66,319
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	310	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	310	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,345)	(125)	(2,538)	(1,233)	19,990	9,986	(17,899)	-	310	66,319
Cash and investments - ending	\$ (10,345)	\$ 476	\$ 2,945	\$ -	\$ -	\$ -	\$ (17,899)	\$ -	\$ -	\$ (100)

SMITH-GREEN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	IDEA 2013-2014	IDEA 2014-2015	Special Ed Technical Assistance	Special Ed Preschool 2013-2014	Special Ed Preschool 2014-2015	Title II 2012-2013	Title II 2013-2014	Title II 2014-2015	Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,319)	\$ -	\$ -	\$ 821	\$ 2,660,106
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	3,054,273
Intermediate sources	-	-	-	-	-	-	-	-	-	181
State sources	-	-	-	-	-	-	-	-	-	7,286,656
Federal sources	182,645	-	3,331	1,998	-	9,977	22,177	-	-	583,837
Other receipts	-	-	-	-	-	-	-	-	1,995,905	2,054,942
Total receipts	182,645	-	3,331	1,998	-	9,977	22,177	-	1,995,905	12,979,889
Disbursements:										
Instruction	129,054	-	2,672	2,662	-	6,658	24,641	-	-	5,035,383
Support services	124,213	-	1,058	-	-	-	-	-	-	3,995,771
Noninstructional services	-	-	-	-	-	-	-	-	-	719,684
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	298,980
Debt services	-	-	-	-	-	-	-	-	-	1,027,701
Nonprogrammed charges	-	-	-	-	-	-	-	-	1,996,687	1,997,187
Total disbursements	253,267	-	3,730	2,662	-	6,658	24,641	-	1,996,687	13,074,706
Excess (deficiency) of receipts over disbursements	(70,622)	-	(399)	(664)	-	3,319	(2,464)	-	(782)	(94,817)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	5,285
Transfers in	-	-	-	-	-	-	-	-	-	47,310
Transfers out	-	-	-	-	-	-	-	-	-	(47,310)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	5,285
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(70,622)	-	(399)	(664)	-	3,319	(2,464)	-	(782)	(89,532)
Cash and investments - ending	\$ (70,622)	\$ -	\$ (399)	\$ (664)	\$ -	\$ -	\$ (2,464)	\$ -	\$ 39	\$ 2,570,574

SMITH-GREEN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,036,213	\$ 377,487	\$ 71,151	\$ 104,087	\$ 13,402	\$ 188,203	\$ 456,484	\$ 107,942	\$ 46,970	\$ 141,551	\$ 47,113
Receipts:											
Local sources	76,269	791,603	134,559	945,538	521,282	134,334	-	-	30,472	264,041	88,205
Intermediate sources	9	-	-	-	-	-	-	-	-	-	-
State sources	7,126,242	-	-	-	-	-	-	-	-	7,206	25,417
Federal sources	-	-	-	-	-	-	-	-	-	169,734	-
Other receipts	1,157	-	-	-	-	-	-	-	-	283	50
Total receipts	7,203,677	791,603	134,559	945,538	521,282	134,334	-	-	30,472	441,264	113,672
Disbursements:											
Instruction	4,577,077	-	-	-	-	-	-	-	-	-	-
Support services	2,473,482	-	-	755,426	511,338	106,214	-	27,903	41,189	1,943	114,373
Noninstructional services	188,024	-	-	-	-	-	-	-	-	501,004	-
Facilities acquisition and construction	-	-	-	198,364	-	-	-	-	-	-	-
Debt services	-	751,578	135,206	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	7,238,583	751,578	135,206	953,790	511,338	106,214	-	27,903	41,189	502,947	114,373
Excess (deficiency) of receipts over disbursements	(34,906)	40,025	(647)	(8,252)	9,944	28,120	-	(27,903)	(10,717)	(61,683)	(701)
Other financing sources (uses):											
Transfers in	657	-	-	-	-	-	-	-	187,000	-	-
Transfers out	(187,075)	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(186,418)	-	-	-	-	-	-	-	187,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(221,324)	40,025	(647)	(8,252)	9,944	28,120	-	(27,903)	176,283	(61,683)	(701)
Cash and investments - ending	\$ 814,889	\$ 417,512	\$ 70,504	\$ 95,835	\$ 23,346	\$ 216,323	\$ 456,484	\$ 80,039	\$ 223,253	\$ 79,868	\$ 46,412

SMITH-GREEN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Playground	Educational License Plates	SAFE School Haven - SRO	Early Intervention 2013-2014	Early Intervention 2014-2015	Hands Foundation Grants	Hands Grant - Zollinger	Hands Grant-Kelley	Hands Grant-Cripe	Whitley County Community Foundation
Cash and investments - beginning	\$ 7,292	\$ 1,397	\$ -	\$ (1,929)	\$ -	\$ 2	\$ 67	\$ 3	\$ -	\$ 1,976
Receipts:										
Local sources	1,000	-	-	-	-	-	-	-	-	-
Intermediate sources	-	113	-	-	-	-	-	-	-	-
State sources	-	-	-	9,961	9,919	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	1,000	113	-	9,961	9,919	-	-	-	-	-
Disbursements:										
Instruction	-	200	-	7,929	8,539	-	-	-	-	-
Support services	6,030	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	6,030	200	-	7,929	8,539	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(5,030)	(87)	-	2,032	1,380	-	-	-	-	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(2)	(67)	(3)	-	-
Total other financing sources (uses)	-	-	-	-	-	(2)	(67)	(3)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,030)	(87)	-	2,032	1,380	(2)	(67)	(3)	-	-
Cash and investments - ending	\$ 2,262	\$ 1,310	\$ -	\$ 103	\$ 1,380	\$ -	\$ -	\$ -	\$ -	\$ 1,976

SMITH-GREEN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Hands Grant - Jr/Sr Art	Hands Grant - Jr/Sr Library	DEKKO Arts Partnership Grant	CES PTO Script Donation	CES Poster Machine	CES PTO Classroom Donations	Music Instruction	Hands Grant - Kinder Literacy	Project Lead The Way	Hands Grant - 5th Grade Literacy
Cash and investments - beginning	\$ 40	\$ -	\$ -	\$ 106	\$ -	\$ 2,588	\$ 20	\$ 42	\$ -	\$ 7
Receipts:										
Local sources	-	600	-	-	-	1,800	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	600	-	-	-	1,800	-	-	-	-
Disbursements:										
Instruction	-	-	-	93	-	826	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	93	-	826	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	600	-	(93)	-	974	-	-	-	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	(40)	-	-	-	-	-	(20)	(42)	-	(7)
Total other financing sources (uses)	(40)	-	-	-	-	-	(20)	(42)	-	(7)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(40)	600	-	(93)	-	974	(20)	(42)	-	(7)
Cash and investments - ending	\$ -	\$ 600	\$ -	\$ 13	\$ -	\$ 3,562	\$ -	\$ -	\$ -	\$ -

SMITH-GREEN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	School Board Scholarship	H.S. Commons Floor - Eagle	Energy Rebate	Archery	Talent Initiative - Professional Development	Study a Country	Copier Contract	SGCS In-Out	High Ability 2013-2014	High Ability Certified Salaries
Cash and investments - beginning	\$ -	\$ 200	\$ 11,375	\$ 674	\$ -	\$ -	\$ 14,940	\$ 39,186	\$ 1,018	\$ -
Receipts:										
Local sources	500	318	-	-	-	500	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	28,364
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	2,755	-	-	-	-	1,781	-	-
Total receipts	500	318	2,755	-	-	500	-	1,781	-	28,364
Disbursements:										
Instruction	-	-	-	-	-	258	-	-	1,018	28,364
Support services	-	-	11,130	-	-	-	14,940	2,868	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	32,200	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	11,130	-	-	258	14,940	35,068	1,018	28,364
Excess (deficiency) of receipts over disbursements	500	318	(8,375)	-	-	242	(14,940)	(33,287)	(1,018)	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	500	318	(8,375)	-	-	242	(14,940)	(33,287)	(1,018)	-
Cash and investments - ending	\$ 500	\$ 518	\$ 3,000	\$ 674	\$ -	\$ 242	\$ -	\$ 5,899	\$ -	\$ -

SMITH-GREEN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Secured Schools Safety Grant	Extra- Curricular Activities	School Technology	High Ability 2012-2013	Senator David Ford Technology	Title I - 2012-2013	Title I - 2013-2014	Title I - 2014-2015	IDEA 2011	IDEA 2012-2013
Cash and investments - beginning	\$ (10,345)	\$ 476	\$ 2,945	\$ -	\$ -	\$ -	\$ (17,899)	\$ -	\$ -	\$ (100)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	20,412	-	8,889	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	33,811	87,761	-	78
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	20,412	-	8,889	-	-	-	33,811	87,761	-	78
Disbursements:										
Instruction	-	-	-	-	-	-	8,519	96,751	-	52
Support services	41,047	-	6,825	-	-	-	7,393	13,222	-	1
Noninstructional services	-	-	-	-	-	-	-	199	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	41,047	-	6,825	-	-	-	15,912	110,172	-	53
Excess (deficiency) of receipts over disbursements	(20,635)	-	2,064	-	-	-	17,899	(22,411)	-	25
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	75
Transfers out	-	(476)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(476)	-	-	-	-	-	-	-	75
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(20,635)	(476)	2,064	-	-	-	17,899	(22,411)	-	100
Cash and investments - ending	\$ (30,980)	\$ -	\$ 5,009	\$ -	\$ -	\$ -	\$ -	\$ (22,411)	\$ -	\$ -

SMITH-GREEN COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	IDEA 2013-2014	IDEA 2014-2015	Special Ed Technical Assistance	Special Ed Preschool 2013-2014	Special Ed Preschool 2014-2015	Title II 2012-2013	Title II 2013-2014	Title II 2014-2015	Clearing	Totals
Cash and investments - beginning	\$ (70,622)	\$ -	\$ (399)	\$ (664)	\$ -	\$ -	\$ (2,464)	\$ -	\$ 39	\$ 2,570,574
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	2,991,021
Intermediate sources	-	-	-	-	-	-	-	-	-	122
State sources	-	-	-	-	-	-	-	-	-	7,236,410
Federal sources	75,444	-	2,124	753	-	-	7,651	21,553	-	398,909
Other receipts	-	-	-	-	-	-	-	-	1,983,030	1,989,056
Total receipts	75,444	-	2,124	753	-	-	7,651	21,553	1,983,030	12,615,518
Disbursements:										
Instruction	-	190,617	1,725	89	8,093	-	5,187	30,622	-	4,965,959
Support services	4,822	40,575	656	-	-	-	-	-	-	4,181,377
Noninstructional services	-	-	-	-	-	-	-	-	-	689,227
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	230,564
Debt services	-	-	-	-	-	-	-	-	-	886,784
Nonprogrammed charges	-	-	-	-	-	-	-	-	1,984,456	1,984,456
Total disbursements	4,822	231,192	2,381	89	8,093	-	5,187	30,622	1,984,456	12,938,367
Excess (deficiency) of receipts over disbursements	70,622	(231,192)	(257)	664	(8,093)	-	2,464	(9,069)	(1,426)	(322,849)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	187,732
Transfers out	-	-	-	-	-	-	-	-	-	(187,732)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	70,622	(231,192)	(257)	664	(8,093)	-	2,464	(9,069)	(1,426)	(322,849)
Cash and investments - ending	\$ -	\$ (231,192)	\$ (656)	\$ -	\$ (8,093)	\$ -	\$ -	\$ (9,069)	\$ (1,387)	\$ 2,247,725

SMITH-GREEN COMMUNITY SCHOOLS  
SCHEDULE OF LEASES AND DEBT  
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
US BANK	Copier Lease	\$ 44,976	04-09-14	04-09-18
Smith-Green Multi-School Building Corporation	School Building Lease	478,000	06-30-13	12-31-28
Smith-Green Multi-School Building Corporation	School Building Renovation	<u>164,000</u>	06-16-15	01-15-27
Total of annual lease payments		<u>\$ 686,976</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	School Pension Bond - 2006	\$ 250,000	\$ 133,211
Notes and loans payable	Common School Fund Technology Loan - 2011	47,102	23,963
Notes and loans payable	Common School Fund Loan - 2002	714,706	146,515
Notes and loans payable	Common School Fund Loan - 1996	<u>573,062</u>	<u>117,478</u>
Totals		<u>\$ 1,584,870</u>	<u>\$ 421,167</u>

SMITH-GREEN COMMUNITY SCHOOLS  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2015

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	\$ 291,770
Infrastructure	606,855
Buildings	31,335,570
Improvements other than buildings	217,900
Machinery, equipment, and vehicles	4,816,135
Books and other	935,500
Total capital assets	\$ 38,203,730

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE SMITH-GREEN COMMUNITY SCHOOLS, WHITLEY COUNTY, INDIANA

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

We have audited the Smith-Green Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2013 to June 30, 2015. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***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, 2013 to June 30, 2015.

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 OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002. 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**

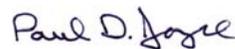
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002 and 2015-003 to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

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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.

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SMITH-GREEN COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2014 and 2015

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 06-30-14	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
			FY 13-14	\$ 17,050	\$ -
			FY 14-15	-	17,239
Total - School Breakfast Program				<u>17,050</u>	<u>17,239</u>
National School Lunch Program	Indiana Department of Education	10.555			
			FY 13-14	188,705	-
			FY 14-15	-	185,281
Total - National School Lunch Program				<u>188,705</u>	<u>185,281</u>
Total - Child Nutrition Cluster				<u>205,755</u>	<u>202,520</u>
Total - Department of Agriculture				<u>205,755</u>	<u>202,520</u>
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education - Grants to States					
IDEA 12-13	MSD of Southwest Allen County	84.027	14213-054-PN01	91,320	365
IDEA 13-14			14214-054-PN01	183,825	75,444
Special Ed Technical Assistance			99914-054-PN01	3,331	2,124
Total - Special Education - Grants to States				<u>278,476</u>	<u>77,933</u>
Special Education - Preschool Grants					
Special Ed Preschool	MSD of Southwest Allen County	84.173	45713-092-PN01	1,402	-
Special Ed Preschool			45714-054-PN01	8,229	753
Total - Special Education - Preschool Grants				<u>9,631</u>	<u>753</u>
Total - Special Education Cluster (IDEA)				<u>288,107</u>	<u>78,686</u>
Title I Grants to Local Educational Agencies					
Title I	Indiana Department of Education	84.010	13-8625	33,500	-
Title I			14-8625	71,603	33,811
Title I			15-8625	-	87,761
Total - Title I Grants to Local Educational Agencies				<u>105,103</u>	<u>121,572</u>
Improving Teacher Quality State Grants					
Title IIA	Indiana Department of Education	84.367	FY12-13	9,977	-
Title IIA			FY13-14	22,177	7,651
Title IIA			FFY 2014	-	21,553
Total - Improving Teacher Quality State Grants				<u>32,154</u>	<u>29,204</u>
Total - Department of Education				<u>425,364</u>	<u>229,462</u>
Total federal awards expended				<u>\$ 631,119</u>	<u>\$ 431,982</u>

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

SMITH-GREEN COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2014 and 2015. This noncash assistance is also included in the federal expenditures presented in the SEFA.

Program Title	Federal CFDA Number	For the Year Ended June 30, 2014	For the Year Ended June 30, 2015
Child Nutrition Cluster:			
Food Commodities:			
National School Lunch Program	10.555	\$ 38,473	\$ 32,786

SMITH-GREEN COMMUNITY SCHOOLS  
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 deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

\_\_\_\_\_ Name of Federal Program or Cluster \_\_\_\_\_

Child Nutrition Cluster  
Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2015-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that total federal expenditures for fiscal years 2014 and 2015 were incorrectly reported resulting in total expenditures being understated by \$47,289 and \$32,998 in each year, respectively.

SMITH-GREEN COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The errors and omissions on the SEFA were partially caused by a lack of sufficient internal controls over the preparation of the SEFA and insufficient familiarity with the required elements of the SEFA. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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

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

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

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

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

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

SMITH-GREEN COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**FINDING 2015-002 - CASH MANAGEMENT**

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Years: FY 13-14, FY 14-15  
Pass-Through Entity: Indiana Department of Education

*Internal Controls*

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirement. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation did not have controls in place to ensure that the School Lunch fund cash balances did not exceed the average expenditures for three months.

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

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

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

*Compliance*

The School Corporation was not in compliance with the Cash Management requirement. The average expenditures for three months for the fiscal years 2014 and 2015 were \$160,131 and \$150,883, respectively. The School Lunch fund's net cash resources were maintained at an amount in excess of the average expenditures for three months from July 1, 2013 to May 31, 2014.

7 CFR section 210.14(b) states:

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

SMITH-GREEN COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 220.7(e)(1)(iv) states: "Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

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

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

***FINDING 2015-003 - REPORTING***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Years: FY 13-14, FY 14-15  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Reporting compliance requirement. 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 also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation submits an Annual Financial Report at the end of each grant year, and a Sponsor Claims (claims for reimbursement) to the Indiana Department of Education. There were no controls in place to ensure that these reports were accurate.

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

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

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

SMITH-GREEN COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.

# Smith-Green Community Schools

Superior Schools ... In a Supportive Community

222 West Tulley Street, Churubusco, Indiana 46723 • 260-693-2007 • 260-693-6434 • www.sgcs.k12.in.us

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Indiana State Board of Accounts  
302 W Washington St  
4<sup>th</sup> Floor, Room E418  
Indianapolis, IN 46204-2765

## Corrective Action Plan

To Whom It May Concern:

This letter serves as our official response to the results and comments listed on the audit for the years July 1, 2013 through June 30, 2015.

### **Finding 2015 001 - Preparation of the Schedule of Expenditures of Federal Awards**

**Description of Corrective Action Plan:** The Corporation Treasurer will continue with the current procedures to ensure accurate completion of the Schedule of Expenditures of Federal Awards. During the fiscal years of 2014 & 2015, food service commodities were omitted from the Schedule of Expenditures. The Business Manager will review and verify accurate completion of the Schedule.

**Anticipated Completion Date:** Ongoing - The Corporation Treasurer and Business Manager will provide signatures as proof of review.

### **Finding 2015 002 - Cash Management**

Federal Agency: Department of Agriculture  
Federal Program: Child Nutrition Cluster  
CFDA Number: 10.553, 10.555  
Federal Award Years: FY 2013-2015  
Pass-Through Entity: Indiana Department of Education

**Description of Corrective Action Plan:** Smith-Green Community Schools, in accordance with the checks and balances, will implement a quarterly review for ensuring that balances of the three-month average do not exceed the maximum allowable for a non-profit entity. Excess balances will be used to update and maintain food service equipment and cafeteria facilities to ensure operational efficiency.

*"The mission of Smith-Green Community Schools is to provide a superior education that ensures success for every student through excellence in teaching and learning."*

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Board of School Trustees: Mr. Dean Geiger • Mr. Luke Gross • Mrs. Carey Jacquay • Mrs. Cathy Petrie • Mr. Nick Uecker  
Superintendent: Mr. Galen Mast

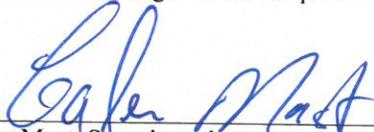
Anticipated Completion Date: Ongoing - The Business Manager currently prepares a cash flow statement. The Corporation Treasurer will review this statement. Both the Business Manager and Corporation Treasurer will provide signatures on the statement as proof of review.

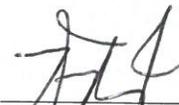
**Finding 2015-003 - Reporting**

Federal Agency: Department of Agriculture  
Federal Program: Child Nutrition Cluster  
CFDA Number: 10.553, 10.555  
Federal Award Years: FY 2013-2015  
Pass-Through Entity: Indiana Department of Education

Description of Corrective Action Plan: The School Corporation Food Service Manager will continue to submit the Annual Financial Report and monthly reimbursement claims to the Indiana Department of Education. The Business Manager or the Corporation Treasurer will review these reports for accuracy.

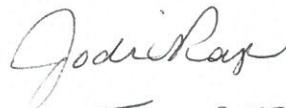
Anticipated Completion Date: Ongoing - The Food Service Manager will provide a signature on each report and the Business Manager or the Corporation Treasurer will provide signatures on each report as proof of review.

  
\_\_\_\_\_  
Galen Mast, Superintendent

  
\_\_\_\_\_  
Todd Fleetwood, Business Manager

5-24-16  
Date

5-24-16  
Date

  
Treasurer

5/24/16

*"The mission of Smith-Green Community Schools is to provide a superior education that ensures success for every student through excellence in teaching and learning."*

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Superintendent: Mr. Galen Mast

#### 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/>.